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ISRAEL AND THE WORLD

ERP, PLANNING AND CONTROLS

BRITAIN'S ECONOMIC PROSPECTS

NOTES ON THE JAPANESE EMPEROR

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IN THIS ISSUE

ISRAEL AND THE WORLD is an authoritative and serious, though frankly partisan, discussion of the problems of the Jewish State, now approaching the first anniversary of its independence. The author, Dr. Benjamin Akzin, a lawyer and political scientist by education (he holds degrees from Harvard, the University of Paris and the University of Vienna), has been since 1947 Political Secretary of the American Zionist Emergency Council. He obviously offers a presentation of the Zionist viewpoint. Other approaches to the delicate problems of Palestine will be published in forthcoming issues of *American Perspective.*

★

In *ERP, PLANNING AND CONTROLS* Professor Carl Landauer of the University of California in Berkeley attempts to assess the influence of the Marshall Plan on planned economics and controls in Europe. The author was, until 1933, editor of *Der deutsche Volkswirt* in Berlin. His book, *Theory of National Economic Planning* was published in 1947. He has written many articles and has lectured extensively on subjects of economic policy and international relations.

★

The decline of Britain's economic position is one of the most important factors affecting the structure of the world economy and the international balance of power. Paul A. Baran and Mary S. Painter have made a thorough investigation of *BRITAIN'S ECONOMIC PROSPECTS.* The background of the problem is presented in the installment printed in this issue. Two more articles will discuss the present situation and the implications for the future.

Mr. Baran has recently been appointed Associate Professor of Economics at Stanford University. Miss Painter has done research in economics for the Government and leading banking institutions.

ISRAEL AND THE WORLD

by BENJAMIN AKZIN

I

A little less than a year ago a new state, the State of Israel, appeared on the international scene. The course of events which culminated in this result was in some respects fairly typical of the circumstances leading to the birth of most new states, but in others it was most unusual—even unique.

The stages in the process of Israel's birth which are similar to experiences elsewhere can be reduced in the main to three: pioneer colonization of an undeveloped territory; revolution against what is regarded as an unjust and oppressive foreign government; and a war undertaken in defense of independence. In all three respects important differences can be denoted between the developments in Palestine and those that accompanied the birth of other states, but in the main all three features are familiar phenomena in political history. All the states of the western hemisphere and, if one goes sufficiently far back into history, quite a number of states in Europe are the result of a colonization process. Revolution of the local population against a foreign government is at the root of the majority of states: all American republics, two of the British dominions,[1] Ireland, Belgium, the Netherlands, Italy, Switzerland, all the countries of east-central Europe and the Balkans, the Arab countries, Burma and, now in the formative state, Indonesia. Wars in defense of a newly won independence, though less frequent, are also a familiar feature in history.

It is the unusual features of the Palestine question that have caused widespread comment. As a matter of fact, so exclusively was attention focused on these features that the whole picture was somewhat distorted in the public eye, causing the parallels between the developments in Palestine and similar developments elsewhere to be almost com-

[1] South Africa and India. In both cases, the revolutionary pattern showed interesting variations. In India, the tremendous weight of the population made it possible to conduct a bloodless revolution by non-cooperation. But it constituted nonetheless an attempt, ultimately successful, to get rid of a foreign government by systematic defiance of its authority. In the case of South Africa, the show of force was both an internal revolution and an international war in defense of the country's independence. In South Africa, just as in the American war of independence, resistance to Britain was confined to the colonists alone, without involving the aborigines, another similarity with Palestine where the revolution of 1945-47 was conducted by the Jewish colonists alone.

pletely overlooked and making the Palestine conflict appear erroneously as being altogether *sui generis*.

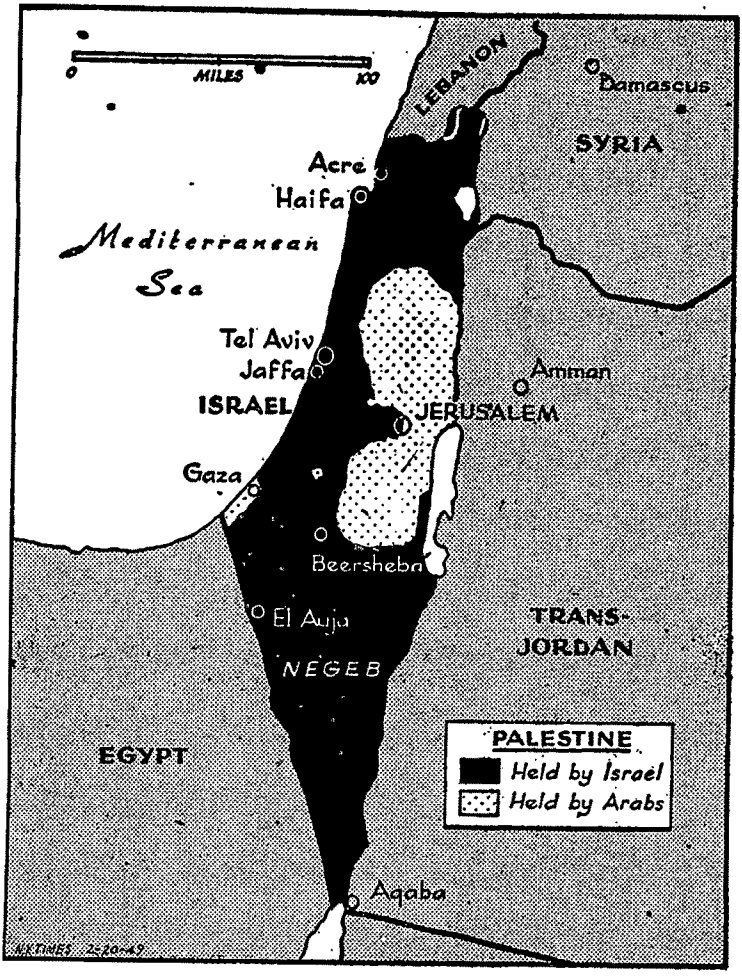
There are three main features of the question which can be described as unique. One has to do with the unprecedented spectacle of a people, who lost political independence and became territorially dispersed almost two thousand years ago, maintaining their group identity and organizing a large-scale movement to return to the former site of their national existence. The chief instrumentality that kept the group alive was its distinct religion. The widespread hostility encountered by this group, resulting more often from religious intolerance than from ethnic antagonism, strengthened its internal cohesion. The final urge of Jews to settle in Palestine, like almost all mass migration movements in history, was the result of economic need or of physical persecution. These facts help to explain the process, but the general result—the survival of a dispersed ethnic-religious group for two thousand years and its national renaissance and territorial concentration at the end of the period—remains without parallel.

A second unique feature has to do with the special character of Palestine. For Christianity and Judaism, Palestine is the Holy Land, the goal of countless pilgrimages and the location of venerated shrines. It never played quite the same part in Islam, but a certain aura of holiness does envelop Jerusalem for the Moslem as well. It is true that for the governments of the great powers Palestine figures principally as a strategic area valuable for its proximity to the Suez Canal, to hugh oil bearing deposits and to the centrally located Middle East area. Still, the religious connotation of Palestine has influenced public thinking on the subject and is reflected in the phraseology of governments.

A third unique feature of the Palestine question is the overwhelming part played in its solution by the international community. Although international conferences have occasionally taken a hand in the formation of new states, their intervention was invariably a phenomenon of power politics. The establishment of the Jewish National Home in Palestine and its culmination—the setting up of the Jewish State—are cases where the international community as a whole, acting through the League of Nations and the United Nations, has recommended the addition of a new member to the family of nations.

II

The resolution of the General Assembly of the United Nations in 1947 to partition Palestine between Arabs and Jews [2] was one



PARTITIONED PALESTINE

[2] The principal sources of the participation of the United Nations in the solution of the Palestine conflict, both before and after the partition resolution of November 29, 1947, are: *U.N. Official Records of the First Special Session of the General Assembly, 1947*, vol. 1-3; *U.N. Official Records of the Second Session of the General Assembly*, 1947, vol. 1-2 and supplements; *U.N. Official Records of the Second Special Session, 1948*, vol. 1-2 and supplements.

Much light on the deliberations in the United Nations is shed in three books written by Richard Crossman, *Palestine Mission*, 1947; Bartley C. Crum, *Behind the Silken Curtain*, 1947; Jorge Garcia Granados, *The Birth of Israel*, 1948.

in which, in accordance with international usage, both principle and expediency played a part. As far as principles are concerned, the British position, seeking to maintain direct or indirect control of Palestine under the guise of a disinterested and neutral guardian, was untenable.[3] The choice has to lie between the claims of Arabs and Jews. A strong case could be made out for either of them. Arabs could base their case on the elementary fact that they constituted the majority of the population of Palestine and, therefore, were entitled to rule it.[4] Jews could plead their historic connection with Palestine and the recognition by the world of their need for a homeland in that country.[5] The partition compromise which received formal approval by the United Nations was based on the idea of self-determination, not in the form of a plebiscite, which tends to disregard the wishes of groups no matter how important and politically mature they are as long as they do not form a majority in the territory as a whole, but in a more perfect form in which the desires of human beings are given priority over the tradition of territorial integrity.

This principle is not a new one. It was the principle under which the North American colonies claimed independence from England, under which Ireland demanded home rule and under which Ulster obtained separation from the rest of Ireland. It was under the same principle that first the Christian peoples of the Balkans and then the Arab speaking peoples of the Middle East were separated from the Turkish Empire and, after the first World War, the principal ethnic groups in central and eastern Europe were allowed to separate from the empires of Austria-Hungary and Russia. In our day the same principle was adopted to permit the Moslem minority in India, rightly or wrongly fearful of domination by a Hindu majority, to set up its own state—Pakistan. This principle was also applied to

[3] A relatively frank discussion of the British attitude will be found in Philip Graves, *Palestine—the Land of Three Faiths,* 1923; John Marlowe, *Rebellion in Palestine,* 1946; Nevill Barbour, *Palestine—Star or Crescent?,* 1947. A critical discussion of the British attitude will be found in Benjamin Akzin, "The Palestine Mandate in Practice," 25 *Iowa Law Review* (1939) and Paul L. Hanna, *British Policy in Palestine,* 1942.

[4] The Arab case is expressed best in G. Antonius, *The Arab Awakening,* 1938; Frank C. Sakran, *Palestine Dilemma,* 1948; in testimony by Arab spokesmen given to the British Royal Commission, see *Palestine Royal Commission, Minutes of Evidence,* 1937, and to the Anglo-American Committee, see *Hearings Before the Anglo-American Committee of Inquiry,* 1946 (mimeographed); and in the speeches of Arab representatives at the sessions of the General Assembly of the United Nations in 1947 and 1948.

[5] The Jewish case has been set out by Jewish spokesmen before the British Royal Commission, the Anglo-American Committee of Inquiry, and the United Nations, see note 4 supra. See also Leon I. Feuer, *Why a Jewish State,* 1942; and Ernst Frankenstein, *Justice for My People,* 1944.

A most comprehensive bibliography of the Palestine question, embracing all possible points of view, will be found in: Esco Foundation, *Palestine—A Study of Jewish, Arab, and British Policies,* 1947, vol. 2, pp. 1238-1280.

the partition of Palestine, giving the Jews an opportunity to form their own state in a part of the country in which they formed a majority, but keeping the rest of the country under a different regime.

A second issue of principle had to come into play in the case of Palestine—the issue of mankind's religious interests, centered to such an important degree in Palestine. It was clear that whichever of the two nationalities on the spot, Arabs or Jews, was to rule all or part of the country, the Christian world would know how to safeguard its holy places and religious interests.

Christian opinion was divided whether Palestine should be allowed to absorb a large Jewish immigration, becoming in consequence a predominantly Jewish country, or whether its population should be frozen, thus crystallizing as a Moslem country. Christians do not form the majority of Palestine's population, nor do they aspire to this position. As far as the bulk of its people is concerned, Palestine seems destined to remain either Moslem or Jewish. Some Christians leaned toward the Jews, others toward the Arabs, and still others were indifferent to the country's political destiny and demographic pattern as long as specific Christian interests were safeguarded.

Principles were, of course, not the only guide. Political expediency, in the form of power politics, continued to play a most important part. After centuries of rivalry among the great powers, Great Britain emerged as the paramount power in Palestine. Flirting at first with the idea of keeping the country within their sphere of influence through a friendly Jewish State, British statesmen gradually veered to the thought that a predominantly Arab Palestine would prove a more convenient and pliable ally. There ensued a bitter conflict between Britain and the Jews in Palestine. The American Government was torn between conflicting emotions: considerations of humanity drove it to support the Jews; a desire to strengthen its bonds with the Arabs and to placate Britain pulled it the other way. American oil interests and educational institutions in the Middle East, disposed to favor the Arabs for material and sentimental reasons, were a strong influence in swinging American policy toward the Arabs, while the aroused opinion of American Jewry caused America to favor the Jews. The Soviets, who had bitterly fought Zionism for decades, changed their position to one of support for the Jewish State when it appeared that this would annoy and weaken Britain.

The country that has given rise to all these conflicts is rather small; in the original estimate of the statesmen of the first World War it covered 44 thousand square miles, about the size of Pennsylvania, of Cuba or of Belgium, Holland and Denmark combined. After the separation of Trans-Jordan, the country shrank to 10 thousand square miles, the size of Maryland or somewhat smaller than Belgium alone. Under the partition resolution adopted by the United Nations in 1947, this territory was to be divided into a Jewish State of about 5,500 square miles (a bit larger than Connecticut), and Arab state of about 4,400 square miles and an international district embracing Jerusalem and its immediate surroundings. The refusal of the Arab States to accept partition and their attempt to vitiate that solution by force of arms led to further changes, ironically enough in favor of the Jews: the boundaries of Israel were somewhat enlarged; the large Arab population that formerly lived in what is now Israel has shrunk to a little over 100 thousand as a result of the flight of most Arabs in connection with the war. The exact future of the Arab portion is as yet undecided. The future status of Jerusalem remains to be settled.

III

The appearance of a new state does not usually excite much outside attention. Most of the citizens of the new state go through a comparatively brief period of exultation. Those who were actively engaged in bringing it about and have risen in consequence to positions of leadership have a special reason to feel pleased. Those who have lost dominion over the area are sullen and resentful. The world at large, without taking too much interest in the proceedings, assumes a rather benevolent attitude. There is a tendency among outsiders, unless their own interests are adversely affected, to smile upon a new state as they would smile upon a bride. Somehow people feel that if a group of human beings sets sufficient store by its independent existence to undergo the risks and sacrifices necessary to achieve its goal (for usually a new state does not emerge without its adherents undergoing considerable risk), it is entitled to it.

About two dozen states have appeared on the international scene since the beginning of the twentieth century. Out of the British Empire, but still retaining some connection with it, have come Australia, New Zealand, the Union of South Africa, Eire, India,

Pakistan and Burma. Poland, Czechoslovakia and Albania were three independent states created in Europe; and for a time Estonia, Latvia and Lithuania were in the same category. Hungary, Rumania and Yugoslavia have undergone great changes since the nineteenth century, making them for all practical purposes new states. Finland changed from vassaldom to independence. Panama has come into existence in the western hemisphere; Iceland in the far north has attained independence, and Indonesia in the Far East is groping toward it. In the Middle East, seven Arab States (Egypt, Iraq, Lebanon, Saudi Arabia, Syria, Trans-Jordan and Yemen) were created anew or emerged from a former shadowy existence. Except for the opposition of the former rulers, the world has welcomed these new states into the family of nations as a matter of course.

Quite different was the reception accorded the latest arrival on the international scene, the State of Israel. In addition to the normal opposition of those whose interests were adversely affected by the new state's formation—in this case a wide assortment of Arab leaders, British civil servants, certain commercial interests—wide spread and acrimonious opposition arose in many other quarters. The Jewish State, like the Jewish people, seems to inspire strong likes and dislikes, but remarkably little indifference.

There are, of course, several facts which might account in some measure for the controversy aroused by the emergence of Israel: conflicting Arab-Jewish claims in respect to Palestine, the presence in our midst of partisans on both sides who keep the issue alive, the religious rather than national character often ascribed to Jews, the religious connotations of the Holy Land, and, of late, the question of Arab refugees.

All these elements are important, but they do not really suffice to explain the intensity of the controversy. Similar elements were present in other cases without causing a similar reaction. Conflicting claims are a feature of almost every territorial dispute, but outsiders do not care too much. Devoted adherents can be found among us on both sides of practically every issue, but their debate fails to arouse the public at large. The very same people who fear a Jewish theocracy and refuse to acknowledge the right of the Jews to form a state because they regard Jews as a religious community do not object in the least to Moslem theocracies, such as Saudi Arabia and Yemen, and accepted with complete equanimity the division of India into two

states which differ from one another in religion only. The argument that a land holy to three major religions may not be allowed to fall under Jewish rule seems to have merit until one notices that the prospect of putting Palestine under Moslem rule does not shock people nearly so much. The fate of Arab refugees created by the partition of Palestine excites an interest immeasurably greater than the fate of the far more numerous refugees created by the partition of India.

Finally, there is the argument that a Jewish State would represent a step backward, since in our enlightened age internationalism is the motto and sovereignty is outmoded. Oddly, this argument is reserved exclusively for the Jewish State. From Iceland to Siam, from Albania to Korea, national sovereignty is quite acceptable, but in the case of the Jewish State it is the very existence of that state that is deemed obnoxious.

In the face of these glaring inconsistencies, the real explanation of the widespread opposition to Jewish statehood must be sought elsewhere.

IV

It is often said in Jewish circles that Zionism has revolutionized the thinking of Jews about themselves. There is a great deal of truth in this. For centuries Jews led an existence which depended wholly on the good or bad mood of the majority groups among whom they were dispersed. Many of them prayed for a national life of their own, but there seemed no practical way to do anything about it. In practice, there were only three things a Jew could do: to plead with the non-Jews to be nice to him; to pick up his feet and go elsewhere in the hope that the non-Jews in the new country would prove more friendly than those in the old; and to seek peace for himself at the price of leaving the Jewish community altogether. Zionism provided a different approach; it sought to relieve the fundamental condition of Jewish insecurity by creating a territorially concentrated society in which Jews would form the majority of the population. It was an attempt to substitute organized self-help for the old devices of flight, of appeals to Christian charity and of abnegation. It was indeed a revolution.

Equally true is the fact that Zionism is causing a revolutionary change in the thinking of the non-Jewish world about the Jew. The Gentile world is a world in which individuals and families are

neatly grouped into integrated ethnic groups. These groups do not live in water tight compartments. There are Italians in England and Englishmen in Italy, Turks in Greece and Greeks in Turkey, but the predominant fact is the existence of fairly homogeneous groups; minorities introduced an element of variety and somewhat complicated the picture, but that is all. Similarly, not every ethnic group enjoys political independence. Many of them exist as subordinate nationalities for self-rule—as a natural phenomenon.

Jews did not fit into this pattern. Beyond the individual Jew and the Jewish family there was something that escaped definition—was it a nationality, a religious community, a cultural group, an exclusive clan? It partook of the nature of all of these, and yet somehow it was different. The extreme religious non-conformity of the Jews, both in the Christian and in the Moslem world, contributed enormously to the feeling that Jews were an alien group and afforded a plausible justification for intolerance and discrimination.

The venerable past which the Jews had as a nation, a past made familiar to all by the Bible, seemed to have no bearing on the present. In the absence of territorial concentration, it was inevitable that the religious character of the Jewish community overshadowed its character as an ethnic group, even though the latter was never quite extinguished and was at times very pronounced.

On this basis, there emerged the principal types of Gentile attitudes toward the Jewish question. The liberal was willing to grant Jews individual equality unconditionally but thought of them as a mere denominational group, not as an ethnic group entitled to political independence, and rather expected them to facilitate their cultural integration with their surroundings by dropping all features that made for clannishness. His was a program of individual equality and cultural assimilation. The religious bigot stood for discrimination against Jews as long as they insisted on retaining their religion but was willing to accept them into the community as equal members if they forsook Judaism. His formula for equality was religious assimilation. The racial anti-Semite (the phenomenon is much older than the term) did not want to accept Jews on any terms, and neither did the ordinary Jew-hater whose bias was not bolstered by any particular theory. Most people of this type did not bother unduly about a solution of the Jewish question, although some of them put all squeamishness aside and preached or actually worked for the

physical extermination of the hated group. Few were the people who, instead of treating the Jews as a *sui generis* problem in need of *sui generis* solutions, sought to apply to them the solution which is normally applied to other groups—a solution compounded of independence on a given territory for the group as such and of equal rights as individuals to those of the group who choose to live outside of that territory. Those who thought in these terms invariably named Palestine as the territory of the Jewish State. They were an interesting group of people—Prince de Ligne, Napoleon, the Earl of Shaftesbury, Disraeli, Cardinal Gibbons, Russell Sage. But their number was small.

To the Gentile world at large, Zionism came as a jolt. Those to whom anything Jewish was unpalatable, or to whom the inferior status of the Jews was a necessary proof of their own superiority, could not quite stomach the idea of a Jewish State occupying a position of equality and dignity with other states. Some of those whose dislike of the Jew is mainly motivated by religious intolerance (their number in our day is far smaller than is generally believed) were shocked by the idea of a Jewish State in the Holy Land. Most interesting of all was the reaction of the liberal: the Jewish community as such had always seemed to him an anachronism, and to see this community boldly put forth its claim to existence was rather discomforting. Jews have become to him a symbol of internationalism in this sad world of greedy nationalities, and it was too bad to see Jews succumb to the common failing of nationalism. To the American liberal, who traditionally viewed progress in terms of a melting pot rather than in terms of group self-determination, Zionism was especially strange. It was almost as if the Jews despaired of the liberal creed and put their hopes in self-segregation on a gigantic scale.

The resistance to Zionism was further swelled by the interesting phenomenon of anti-Zionist Jews. Once again reasoning varied, but the principal overtone was fear of upsetting the familiar *status quo:* anti-Zionist Jews felt that Gentiles would be more likely to grant individual equality to Jews in their midst if Jews kept more or less quiet about their Jewishness. A Jewish State might give the Gentiles the idea that instead of accepting and assimilating their Jewish neighbors, they could send them "back to Palestine," thus undoing the efforts of two centuries of the fight for equal rights. Naturally, each time the virulence and longevity of anti-Semitism was demon-

strated anew, the Jewish anti-Zionists found their reasoning weakened. And naturally, the staunchest defenders of the *status quo* were those to whom fate had been kindest. This is why anti-Zionist trends were particularly strong among the most prominent, i.e., successful, Jews who were able to exercise an influence quite out of keeping with their numbers.

When, to these two groups of anti-Zionists, is added those who believe that a Jewish state would threaten their interests—Arab leaders, British officials, American oil men and educators anxious to please the Arabs, strategists worried about the effect of a Jewish State in the military and political picture—one gets a truly formidable array of opposing forces. But even this is only half of the story. The other half is represented by the numerous technical, financial and psychological obstacles in the way of the settlement of a heterogeneous, urbanized and to a large extent impoverished Jewish mass in a small and arid country such as Palestine. If Zionism has overcome both this opposition and these obstacles to the point of getting 800 thousand Jews into Palestine and of establishing a state in part of the country, this achievement is due very largely to the terrific pressure of Jewish misery which left the mass of Jews with no alternative.

V

The mere fact that the Jewish State has been born does not, of course, destroy the opposition. Jewish anti-Zionism, which was compounded in large measure of skepticism and the fear that "it can't be done" is very much on the wane. But the other factors that opposed the Jewish State are still active. States have been known to disappear as well as to appear, and a number of persons, especially in Arab countries and in England, undoubtedly harbor the hope that sooner or later the Jewish State, too, will vanish from the scene. Most of those who view Zionism with concern will not go so far as to connive in any schemes for its overthrow. It will take them time to adjust their thinking to the new reality. In the long run, however, the change which has occurred in the conditions of Jewish group existence is bound to have a salutary effect. It is a change from the unique pattern which leaves both Jews and non-Jews distrustful of one another to the familiar pattern of a territorially concentrated nationality with its normal attributes of political sovereignty on the one hand and on the other a kindred mass living elsewhere as citizens

of their respective countries. This pattern is known and understood the world over. There are many peoples with a large number of kinsmen living outside their national territory, such as Germans, Italians, Greeks and Irishmen. The ratio of Jews outside of Israel to those living in Israel would still be far higher than in the case of any other group, but this is a question of degree only. In the case of the Irish, too, the diaspora exceeds the population of the national homeland many times over.

The reduction of the Jewish question to a more common pattern cannot help but reduce the peculiar phenomenon of Judeophobia to the proportions of some other, far less virulent, group antagonisms. A trend toward this can already be observed. In Europe the struggle of the Jews of Palestine for independence has already lent dignity and brought active sympathy for Jews in places where they were hitherto held in disdain or active hatred. The legend of the wandering Jew illustrates vividly the distrust with which settled peoples hold a group without a home of its own. With the vagabond becoming a home owner, the other home owners will gradually cease to distrust him even if, to begin with, they are shocked by his impudence in seeking to set himself up as one of them.

The question whether Jews outside of Israel constitute a nationality—which until recently was the subject of animated debate—will become somewhat academic. It was important as long as it was inextricably linked with the other question, whether a Jewish nationality existed at all. Now this latter issue has been resolved. Jews in Israel, or as they are called now—Israelis, undoubtedly constitute a nation. Those outside of Israel, in so far as they are citizens of other countries, are of course nationals of those countries in the legal sense. As for any cultural links with the Jewish nationality in the ethnic sense, they will presumably share the prevailing fate of other minority groups in the given area. In central Europe and the Middle East, where ethnic nationalities show a tendency to retain their group identities, this trend may manifest itself among Jews too. In the western hemisphere, where the pattern is one of assimilation, this pattern will presumably be followed by many Jews as well. It is odd but true; for the first time those who wish to be identified as Jews by religion only, without any connotations of belonging to a distinct ethnic group, will be free to do so precisely because a full-fledged Jewish nationality will exist within clearly fixed boundaries.

VI

All these points give the issue of the Jewish State more than the usual amount of interest. Once they have been clarified, the other issues will dissolve into the usual problems typical of the formation of a new state in difficult circumstances.

The Jewish State is as yet in a state of flux; its precise boundaries are far from settled; and the exact nature of its relations with neighboring countries, with the great powers, and with the international community are still uncertain. Like all states in our age, it faces the problem of combining theoretical sovereignty with the realities of economic and military interdependence. Like all small states, it faces the special problem of how to achieve even relative security without becoming a puppet of one of the great powers. Born in strife with its neighbors and against the stubborn opposition of Great Britain, it faces the problem of general reconciliation. In addition, it must shoulder the heavy burden of the economic absorption and the social integration of a wave of mass immigration which is truly unique in relation to the size of the state. Starting with a present day population of under a million, the state is certain to attract a minimum Jewish immigration, in the course of the coming decade or two, of about 1,500,000. Since the absortion of Jews impelled to emigrate from other countries is one of the principal reasons for the state's existence, Israel will not be free to modify its immigration laws to suit its own convenience, but will have to keep its gates open for Jewish immigration at all times.

A particularly important practical aspect of the question concerns American interests. In these days of international tension, this is an aspect of the Palestine question upon which a great deal of attention is justly focused in this country. There is a school of thought in Washington, well represented in the Department of State, among the military, and among oil firms and educational establishments with Middle East connections, which until recently opposed the formation of the Jewish State on the ground that this would prejudice the interests of America and of the West generally. The reasoning of this school of thought is rather complex. At times it emphasizes that Arab friendship and Arab oil are essential to America and that American sponsorship of Israel might lose both to Russia. At other times it points out that Israel might prove susceptible to Soviet penetration. Before the trial of strength had come off between Arabs and

Jews, the thought was expressed that Israel would be defeated unless either American or Russian troops were sent to protect it—two equally undesirable contingencies from the point of view of Washington policy makers. After the trial had taken place and Israel had proved her military superiority, the argument was modified to emphasize the need to "save the face" of the Arab governments. At times these political considerations were advanced even though the merits of the Jewish claim were acknowledged, while at others, the position was taken that the Arabs deserved to rule all of Palestine on the merits of the case and that the Jewish claims were utterly unjust.

It is difficult to distinguish in this mass of arguments what are real views and what are the conscious or unconscious rationalizations of the attitudes reviewed earlier in this article. However that may be, these arguments played an important part in the development of American policy on Palestine, explain most of that policy's vacillations and account in large measure for the efforts to reduce the territory of Israel to a minimum.[6]

Now that the Jewish State has come into existence, many of these arguments are seen to have been grossly exaggerated. Arab opposition to the Jewish State has clearly been less widespread and intense and far more artificial than one was led to believe. When all is said and done, Arab states will continue to see in America the most powerful political ally, the richest economic partner and the least selfish of all the great powers. The threat of an Arab-Soviet Alliance is clearly unreal, since feudal Arab society is anathema to all that the Soviets held dear, and vice versa. As Bartley Crum put it, the Arab potentates are no more likely to invite the Soviets to their part of the world than John D. Rockefeller is likely to ask Stalin to aid him in getting his income tax reduced. As for the Jews, when one realizes that a large part of the Jews already in Palestine, and most of those seeking to go there, leave eastern Europe precisely because they don't want to live under the regimes prevailing there, one will understand that Israel, if given a choice, will elect to stay within the orbit of western civilization. Within the philosophy of western life, the predominant trend in Israel seems to be toward democratic socialism, of the kind practiced in Australia and New Zealand, Sweden and

[6] For an example of an anti-Israel view based on an interpretation of American interests see *The Partition of Palestine: A lesson in pressure politics*, in *The Middle East Journal*, January 1948. For an opposite viewpoint see Sumner Welles, *We Need Not Fail*, 1948.

more recently in Great Britain. On the international scene, the leaders of Israel appear to wish for a permanent neutrality similar to that of Switzerland.

VII

To our eyes, accustomed to the huge size of modern empires, the concentration of drama in so small an area appears somewhat incongruous. Yet size is not everything. One need only think of the endless variety of political drama on the miniature scenes of ancient Greece and Palestine, where the tiny states of Athens and Thebes, of Sparta and Troy, of Judea and Israel furnished mankind with some of its fullest experiences, both good and evil.

The future of Israel is not, in itself, a subject of overwhelming general interest, any more than the future of Denmark or Paraguay. Its record may be neither better nor worse than that of a number of other small states. For all we know, it will be compounded of the usual ingredients which go by the name of statesmanship: a lot of muddling, a number of errors, occasional flashes of wisdom. It has, in fact, been said that if and when Israel consolidates its position, Jewish history will settle down to the doldrum existence of any out of the way small nation and will lose the sense of high drama habitually connected with it. This may be all to the good.

The map on page 5 is reproduced by permission of *The New York Times*.

ERP, PLANNING AND CONTROLS

by CARL LANDAUER

"The spectacle of America, stronghold of free enterprise, urging upon the 16 ERP nations the necessity of common planning, is paradoxical in more ways than one . . . the advice comes from the last place whence, ideologically speaking, one would have expected it . . ."

This statement of *The Economist*[1] deserves consideration. The United States is underwriting European recovery programs to make the world safe for the rights of the individual, because we have convinced ourselves that these rights would be endangered in our own country if they were suppressed everywhere else, and that our national security would be gravely impaired if too many other countries were governed according to philosophies inimical to our standard of values. Whatever the so-called realists may say, these ideological factors are among the greatest realities of international life today, just as religious differences were inescapable realities of international relations in the 16th and 17th centuries. Now a British magazine with a reputation for balanced and sound judgment virtually tells us that the means which we are employing are frustrating our ideological ends. Do we have to agree with this criticism?

THE PLANNING FUNCTIONS OF OEEC

The Economist qualifies its statement by adding that "the planning urged by Mr. Hoffman . . . is more a coordination of policy and an estimate of the results than a 'plan' in the sense in which the socialists understand the word." But this reservation does not take much weight from the problem. Many socialists would quite agree that the essence of planning is "coordination of policy and estimate of the results." In any event, planning so defined is bound to have important effects upon the economic system. The Marshall Plan will bear out this truth.

The recipient countries of the European Recovery Program, complying with a desire of the United States, have formed the Organization for European Economic Cooperation (OEEC), to fit their present recovery efforts into a more harmonious pattern and to achieve a more perfect use of their resources in the future. The

[1] See the article "Plan and Pseudoplan" in the issue of August 21, 1948, p. 291.

OEEC is doing in the international field what a planning board would do for a national economy: as a common agency, anticipate the future effects of present individual activities, and in the event of incompatibility, insist on correction. The OEEC, to be sure, has no power of compulsion, aside from the pressure that can indirectly be brought to bear upon a recalcitrant country through the connection of the OEEC with the United States agency that holds the purse strings—the Economic Cooperation Administration (ECA). But a plan may deeply influence the activities of the individual units—nation members of an international community or business enterprises in an individual country—merely by showing how incompatibilities can be avoided. Even non-coercive planning, if it is effective— and whether or not it will be, depends on circumstances of time and place—transfers part of the functions of the units to the common agency, and to this extent represents an element of collectivism. If the United States were unconditionally opposed to any kind of economic collectivism, the ERP would indeed be inconsistent with basic American policies.

Perhaps it might be thought that the European nations already have planned systems and that therefore the Marshall Plan cannot add to the collectivist character of their economies. But at present planning is not a complete system in any of the participating countries and a very incomplete one in some of them. There is much room still for applying the principle of planning on a larger scale.

The European countries with the most complete systems of planning are Great Britain, Holland and Norway. The British Government publishes an annual survey of production and consumption at the beginning of the year for which they are planned. These surveys summarize the results of detailed calculations which must have been undertaken in the government offices but are not published; although the Surveys are little masterpieces of selection of material and analytical commentary, it is not possible to obtain from them a full picture of British planning methods or of the anticipated development of all elements of the British economy. There are indications, however, that the planning activities of the government do not extend to all branches of the economy with the same degree of intensity. The British Government distinguishes between "targets" of production, which are established for the most important industries, and "forecasts", which are made for the others.[2] Therefore it seems that only

[2] Survey for 1948 (Cmd 7344), pp. 36, 42.

with regard to some industries of crucial significance (coal, mining machinery, steel, shipbuilding, railroad repair, repair of power stations, textiles and agriculture) is the government seriously trying to ascertain the possibilities in detail and to influence developments by specific measures. In other fields, comprising all finished goods industries except textiles, the government seems to confine itself to rough estimates and to such general measures of policy as increasing the mobility of labor and withholding scarce resources from unessential production. The government undoubtedly assumes that by removing, through a concentrated effort, bottlenecks in a few industries it will cause the others to expand accordingly. This expectation may come true, but it is not quite certain that the amount of planning now undertaken in Britain will suffice as a basis for British participation in the common plan of the ERP countries. The planning systems of Holland and Norway are in most respects similar to the British.

France, on the other hand, has a planning system with considerably more loop-holes than the British. The French Monnet Plan was inaugurated for a specific purpose. It was—and still is—called "plan of modernization and equipment." In the process of work on the plan, however, it became clear that French industry could not be effectively modernized without a plan for activities other than modernization in the strict sense, for only a plan with a broader scope can enable the central agency to determine resources available for re-equipment of industries and to make an advance estimate of the purchasing power available for the marketing of the finished goods which more effective production facilities will add to the output. Furthermore, with the rising tide of inflation the plan had to provide a foundation for counteracting measures, and these required an estimate of total production. Yet the principal attention of the planning commission remained concentrated—far more so than in England—upon a few "base" industries: coal, electricity, steel, cement, agricultural machinery and transport. In contradistinction to England, Holland and Norway, where calculations of total production, consumption and capital formation and of the other elements of a "national budget" are playing a very great role, no systematic effort to arrive at such totals seems to be part of the regular planning procedures in France. In 1946, it is true, a "Commission du Bilan national" was convened and published an interesting report but was soon disbanded.

Belgium is the only important country on the European continent which does not seem to have engaged in planning activities of any great significance, because its relatively favorable balance of payments seemed to make planning unnecessary. In western Germany, on the other hand, over-all planning was impossible because of the absence of a national government, the dissection of the country into zones, and the uncertainties created by de-industrialization; many partial plans, however, *e.g.* for food production and consumption, for local reconstruction, etc. have been developed.

This survey shows that it was possible to base the Marshall Plan on national plans, but that the foundation is irregularly constructed and not without important gaps. The Marshall Plan is already inducing the various nations to develop their national plans to greater comprehensiveness and to make the pattern of their planning more similar,[3] and ERP will continue to exert this effect. Obviously, the recipient nations cannot in advance determine their aggregate needs of materials and equipment from the Western Hemisphere without each of them making an advance estimate of its own economic development in quantitative as well as in qualitative terms; nor can they, without such an estimate, find out how to make their respective economies more complementary, to save imports from non-European areas. The Marshall Plan can only succeed if national planning is more complete, more effective, more thorough than it is today; and because all the western European nations are vitally interested in the success of the Marshall Plan, the chances are that they will make the necessary adjustments in their planning system. The Marshall Plan is exerting a similar influence, though of lesser degree, in the United States itself, mainly by aggravating some bottlenecks of the American economy, for instance in steel and steel products. These shortages can only be alleviated by planning. The requirements of the Marshall Plan have been a contributory factor in making necessary the unofficial system of steel allocation which still exists in the United States and which is based on estimates made commonly by industry and the government. The Marshall Plan has contributed to the need for the work of the Council of Economic Advisers, which keeps track of

[3] Evidence of these efforts can be found in the recent reports of the OEEC, printed under the title *European Recovery Program* (not yet for public sale, but available in libraries; summaries in newspapers). The three volumes deal with 1. proposed distribution of ECA financing by country and commodity 2. estimated imports and exports of the participating countries by value and quantity and 3. estimated balance of payments on current account of the participating countries. The estimates in the two latter volumes refer to the period up to June 30, 1949.

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current economic developments in the United States and tries to gauge their future course, and which is the nearest approach to planning that can be found in this country at the present time.

PHYSICAL PLANNING AND ERP

The effect of the Marshall Plan upon the basic techniques by which the economy is operated has not been discussed as much as it deserves, but it has not entirely escaped the attention of those who regard any move toward planning as a step on the road to serfdom. A remarkable expression of this concern can be found in an article by Gottfried Haberler, "The European Recovery Program."[4] The principal thesis of the article is a warning that European dollar needs are artificially enhanced by a "passion for government planning" and by other policies which are uneconomical but in line with the ideological preferences of European socialists. The maintenance of wartime controls, leading to "suppressed inflation," is mentioned as one of these ill-advised practices. Of particular interest in this context is an idea which Haberler expressed only in a footnote but which goes to the core of our problem:

> ". . . the . . question may be raised whether it would not have been advisable (or will become advisable in subsequent years) to put the program on a monetary basis, that is, to allot a certain amount of money to each country and to do away with the complicated and expensive machinery of allocating and procuring individual commodities and with making forecasts of commodity requirements and availabilities. Supervision of monetary and financial policies and budgetary controls would be much more useful and efficient than detailed commodity planning. The latter is a relic from the period of wartime scarcities and is rapidly becoming obsolete. Is it not time to scrap the clumsy wartime planning, and replace it by the much more efficient price mechanism?"[5]

It is worth noticing that Dr. Haberler rejects not merely the physical allocation of individual commodities but even the "forecasting of commodity requirements and availabilities." Such "commodity planning" would be superfluous only if, in addition to the general level of prices, price relationships could be expected to remain stable. Only under this condition would the same amount of dollars, in the third and fourth year of the Marshall Plan, necessarily represent the

[4] *American Economic Review*, September 1948, p. 495 ff.
[5] *Ibid*, p. 517.

same quantity of wheat or steel—and therefore the same benefit for the recipient country and the same sacrifice for the United States—as it does with present prices. An example will show that Haberler's implied assumption is inadmissible.

If a firm of Smith and Sons, starting the construction of a new factory which it will take two years to complete, allows in its financial plan a sum large enough to purchase, at present prices, the few hundred tons of steel that will be needed in the second year, any rise in the steel price will obviously produce a difficulty in carrying out the project. The firm therefore will have to investigate if there is any tendency for the price to rise—perhaps for the reason that other firms are engaged in similar projects. Frequently, however, Smith and Sons will not discover any such tendency and will therefore dispense with any special precautions against the necessity of paying more for steel, relying on a general safety margin for protection against unforeseen contingencies. Why do Smith and Sons not have to have a detailed plan of the steel market? Because there is nothing in their project that would essentially change the data of this market. If it were not merely a matter of purchasing a few hundred tons of steel, but 5 or 10 percent of the steel production of the country, the assumption that the steel price will remain approximately the same would be obviously unjustified. In this event it would be necessary to calculate the physical requirement, compare it with other physical requirements and with physical supply conditions, and then estimate the effect upon the price. Therefore the need for "forecasts of commodity requirements and availabilities" is not merely a product of wartime scarcities, although these are certainly a factor aggravating the need, but is and will be necessary whenever the magnitude of a project is so great as to affect the price of resources. Therefore the Marshall Plan requires physical planning leading to and supplemented by planning in terms of prices.

PRICE MECHANISM OR PHYSICAL CONTROLS

Physical planning, however, does not necessarily mean physical controls, such as consumer rationing or direct allocation of raw materials to industry. We cannot know what will happen to the economy unless we undertake some physical calculations, but if we wish to change the expected results we have frequently a choice between direct physical restrictions and a reliance on the price mechanism

after we have altered the data to which the process of price formation applies. Such an alteration may be effected by the government's power to create money, by the taxing power, by the government's ability to grant loans and to give guarantees to risk-shy entrepreneurs or by building and operating plants on government account if business cannot be induced to satisfy some individual or social need that should be satisfied with existing resources. In a normal or semi-normal economy, it is advantageous to substitute a combination of these tools for physical controls. One of the weaknesses of a rationing and allocation system arises from the administrative impossibility of making it all-inclusive. Usually, the production of luxury goods is at least relatively uncontrolled. Consequently, it proves more profitable than the production of necessities which are rationed and under price ceilings, and grows at the latter's expense—an obviously undesirable effect. Moreover, the price mechanism, the working of which is inevitably impaired by physical controls, is the best known device to ascertain consumers' preferences. Consequently, letting the price mechanism operate without distortion greatly facilitates the administration of the basic law of all democratic planning: that the planned use of resources must provide the greatest possible satisfaction of consumers' preferences—not of planners' preferences, if the latter conflict with the former.

We should, therefore, encourage our European friends to get rid of physical controls as soon as this will be feasible, both for reasons of efficiency and for the purpose of keeping their economies consumer-oriented. But we should not accept as truth the allegations of some economists who, having become deeply irritated by the "diseconomies" of rationing and allocation, are blaming their continued maintenance in Europe on the "planners' " desires to regulate other people's lives. Sometimes these advocates of immediate de-control go so far as to warn the United States against an "overgenerous" policy that would enable the Europeans to indulge in their ideological preferences for a mistaken policy at the expense of the American taxpayer.

Actually, socialist ideology plays no important role in the maintenance of physical controls. The decisive reason why these are still widespread in Europe is inflation. In nearly all European countries the amount of money in circulation is too great to be balanced by the current output of commodities at prevailing prices. Therefore, if rationing were removed suddenly or in short order—and thereby

price ceilings made untenable—prices of necessities would soar to socially unbearable levels. European governments are hesitant to abolish physical controls now because they hope for an increase in output that would eventually make a balance possible with only a moderate increase in prices. They also wish to leave time for an adjustment of wages and salaries to increased prices and—at least in Britain—for a narrowing of the inflationary gap by way of a budget surplus. A very strong case can be made for this policy: even if the long run effects of removing controls were to fulfill all the hopes of the defenders of the free market, that will do no good if in the meantime the weak political structures collapse under the increased social tensions.

If the European nations are to escape the dilemma of undesirable effects of physical controls and disastrous price rises, their output of goods must not merely be increased but also well planned, in order that additional supply should meet the demand in all fields and thus prevent the emergence of partial shortages, which are possible even with a sufficient over-all supply. The assumption that physical controls are an indispensable element of planning is not merely incorrect; in some respects it is the opposite of the truth, for comprehensive and competent planning will enable the policy making agencies to achieve their ends through the price mechanism when otherwise they might have continued to use "direct action" methods.

The Marshall Plan, by rendering the Europeans material aid in the increase of industrial output and by teaching them to plan effectively, will bring the moment nearer when physical controls can be eliminated. Just because it is a means to promote "planned economy," ERP is also a weapon against "controlled economy" in the sense in which President Truman presumably wished to make this distinction in a recent speech before the National Planning Association.

THE IMPLICATIONS OF PLANNING

Our European Recovery program promotes economic planning, both in the United States and abroad, because a project of that magnitude cannot be rationally undertaken without an advance calculation of its effects in quantitative and qualitative terms. In this respect, however, the Marshall Plan is not unique. Domestically as well as internationally, the government of the United States has to accept rapidly growing economic responsibilities. Any large-scale interven-

tion of government in economic affairs must eventually be based on an economic plan, for otherwise it cannot be rationally conducted.

As stated before, this development means more collectivism in the sense that the activities of the community gain in importance. Our techniques, in other words, will have to become more collectivist, but all economic arrangements will remain subordinate to the ultimate purposes set by the individuals—purposes that may be material or spiritual, selfish or altruistic, wise or foolish. There is nothing in planning that would force us to renounce this basic principle, or that would impair or undermine it.

Nor do we have to repudiate the wisdom of the founders of economic science when we recognize the need for planning. A plan will demonstrate the truth of the rule: "If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it from them with some part of the produce of our own industry, employed in a way in which we have some advantage." [6] The foreign economic policy of the United States, from Bretton Woods to the ERP, can be described as a (not quite consistent) effort to apply that rule, convince others of its merits and make adherence to it easier for them through material help. We are making one mistake, however: by not giving quite enough assistance, we are endangering our results.

Without ERP, the European nations would have had to engage in a desperate effort to cut imports to the bone and stimulate exports to the utmost. This practice of extreme mercantilism would have wrought great harm to their long range interests, but many private individuals in Europe would have profited from this protectionism forced upon the nations by short term necessity. The beneficiaries would have insisted on a continuation of the same course beyond the emergency.

The Marshall Plan has relaxed the pressure on the European balance of payments and thereby reduced the urge to replace imports by home production. Still, no believer in a free trade world can, for instance, view the heavy British investment in domestic agriculture without grave misgivings, for the temptation to protect this investment permanently by tariffs will be almost irresistible. The farmers of the Western Hemisphere, the British consumers and the British export industries will all suffer in the long run if food production on the

[6] Adam Smith, *An Enquiry into the Nature and Causes of the Wealth of Nations,* Book IV chapter 2 (ed. Philadelphia 1789) v. 2 p. 154.

soil of the United Kingdom is pushed beyond the limits set in the Smithian rule. But it is useless to warn the British, or other Europeans, against this danger unless we can show them a better way out of their short term problem. If they cannot count on assistance from the United States for some years beyond 1952, they have to replace imported by home-grown foodstuffs to the greatest extent possible. The moral for the United States is obvious. Suppose, however, a serious effort were made to induce Congress to declare that the United States will continue Marshall aid, to a moderate extent, beyond 1952, in return for a British promise not to overexpand agriculture on the British Isles; would not the contention that we are "financing the experiments of British socialists," that we are footing the bill which they are running up through their "passion for government planning," be used even more than today to reinforce Congressional reluctance to spend money that must be collected through taxes?

It is time for us to realize that the American Way of Life can be protected only if we concentrate on essentials and are prepared, as far as necessary, to change the outer form in which these essentials are realized. The instrumentality of government must to a much higher degree than previously be used as a tool of human welfare. But it must not be used arbitrarily. A body of laws must firmly bind the government to execute, through deliberate action, the commandments of economic reason which the classical economists wrongly expected to be fulfilled through an automatic process. These commandments ought to be modified only by that greater sensitiveness to "transitional" human suffering, in line with the development of social thought since the middle of the 19th century. If we resolutely decide to let government perform the economic functions which only government can fill, that decision will have a most beneficial by-product; it will show that we are not divided by fundamental differences of economic philosophy from the nations of western Europe which are influenced by socialism. It will become clear that in economic as in political matters we have with them a great deal of common ground, and this insight will facilitate that close cooperation on which our freedom and theirs depend. The Marshall Plan means planning, but planning does not mean, or at least need not mean, anything that is contrary to the ideas of human freedoms and international collaboration to which this country is dedicated: rather, planning is becoming an indispensible tool for the fulfillment of these ideas.

BRITAIN'S ECONOMIC PROSPECTS

by PAUL A. BARAN and MARY S. PAINTER

The Four Year Plan for Britain's economic development during the ERP period,[1] submitted by the British Government to the Organization for European Economic Cooperation, appears at a particularly propitious time. The period of reconstruction, *i.e.* of repairing the most glaring war damages and of restoring industrial and agricultural output to prewar levels, is on the whole concluded. Great Britain, not unlike most other western European countries, has come to the close of a distinct phase of its turbulent postwar history.

Not that the present economic and political situation is at all similar to what it was, say, in 1938. Great Britain has lost a large part of its revenue from foreign investment. Its invisible exports have declined markedly. The profound changes that are taking place in eastern Europe and in the Far East have reduced its trade with those areas and have increased greatly its dependence upon the Commonwealth and the Western Hemisphere.

These, however, are structural shifts in the world economy that transcend the problems of postwar reconstruction. The solution of the latter while appearing nearly unattainable at times has actually been relatively simple. Railroads could be repaired, plants and facilities reconstructed, men demobilized and tractors and fertilizer brought to the farms. A comparatively small input has yielded large returns, and production has increased rapidly.

On the other hand, the adaptation of the world economy, and in particular of Great Britain, to what is more and more clearly emerging as the pattern of a new international division of labor is bound to be a difficult and protracted process. What may be expected from now on are not spectacular changes secured through the application of easy remedies, but a long series of small adjustments and improvements that at the end may (or may not) add up to a new equilibrium in the world economy.

That Great Britain has entered this second phase, in which further advances can be secured only as a result of normal growth and systematic reorientation in accordance with the changing economic structure of the world, has been apparent since the publication of the

[1] Cmd. 7572.

British economic program for 1948-49. It was not until the release of the Four Year Plan, however, that a full understanding could be gained of the broad strategy underlying Britain's current efforts to regain long run economic viability.

It is the purpose of this paper to consider the issues raised by this economic blueprint against the background of Britain's basic economic problem and to attempt an appraisal of the effects of the discernible trends in its longer run economic development.

I. THE BACKGROUND

1. *Early Position of Leadership*

Earlier than any other country, Britain developed a powerful industrial economy. There were a number of factors that gave it a distinct initial advantage over the rest of the world. Whether at home or in its swiftly expanding colonial empire, Britain possessed all the raw materials necessary for industrial production. At home it had wool, coal, iron; from the colonies it obtained cotton and dyewood for the textile industry, iron and lumber. Pathbreaking inventions opened new vistas to industrial enterprise. Ample supplies of capital accumulated by British merchants in centuries of far-flung trade and navigation were available to finance large investments in new productive facilities. The social and economic upheavals in the British countryside during the first part of the nineteenth century, which led to the destitution of large sectors of the rural population, created abundant sources of cheap industrial labor. By 1860, as Table I indicates, Britain was by far the world's leading industrial power.

TABLE I

WORLD PRODUCTION AND WORLD TRADE AROUND 1860

(In per cent of world total)

	Coal production	Output of iron products	Cotton consumption	Wool consumption	Foreign trade turnover
Great Britain.....	58	53	50	23	25
France	6	13	10	21	11
Germany	12	7	6	13	9
Russia	3	4	4	11	3
United States	11	11	17	9	9

Source: Rolf Wagenfuhr, *Die Industriewirtschaft,* Berlin, 1933.

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As the most important, if not the exclusive, source of technical equipment,[2] of textiles and other industrial goods, Britain was the undisputed center of world trading, shipping and finance. An ever increasing share of its domestic resources was shifted from agricultural to industrial production and to banking, commerce and insurance. In exchange for its vast exports of goods and services, Britain obtained from abroad food to supplement its declining agricultural output and the raw materials needed for manufacturing goods for domestic consumption and export. By concentrating on industrial and commercial activities, it raised its productivity to unprecedented levels. Its quasi-monopolistic position with respect to many goods and services (and its nearly exclusive position as a buyer of many raw materials) enabled it to secure uniquely favorable terms of trade with the rest of the world.

Britain's total income—in those days the largest in the world—was most unevenly distributed. "At the top of the pyramid of wealth there rested a substantial group whose great income and investing power was one of the revolutionary forces of the world." [3] The savings of this group not only permitted large investments in Britain's domestic economy but also enabled Britain to build up substantial income-earning assets abroad.[4]

Britain's superior position in the world was based only partly on the favorable combination of historical circumstances and the natural resources accessible to it in the nineteenth century. Its main foundation became increasingly the steady growth of British know-how—of skills and special qualifications in industry, finance and commerce—and the development of naval and political power surpassing by far that achieved by other countries.

2. *The Challenge*

This economically (and politically) dominant position was challenged toward the end of the nineteenth century by three new arrivals on the world economic stage. Political and economic unification under Bismark, and military victories over Austria and France, created the

[2] Until 1843 the export from Great Britain of machinery, technical blueprints, and tools was prohibited, since it was feared that such exports would facilitate the emergence of foreign competition. After the lifting of this embargo, exports of technical equipment assumed major proportions.

[3] Herbert Feis, *Europe, the World's Banker, 1870-1914* (New Haven, 1930), p. 3.

[4] According to one estimate, Britain's foreign investments amounted as early as 1880 to over 1,150 million pounds. This does not take into account foreign issues owned by British residents, or direct investment. Cf. "British Capital Abroad", *The Economist*, November 20, 1937, p. 358 ff.

conditions for the spectacular industrial and commercial rise of Germany. Even more momentous was the development of the United States following the end of the Civil War. On the other side of the

TABLE II

PRODUCTION OF COAL, IRON AND STEEL IN LEADING COUNTRIES

(In millions of tons)

Year or Annual Average	*Great Britain*	*United States*	*Germany*
COAL			
1860-64	84.9	16.7	15.4
1880-84	156.4	88.7	51.3
1900-04	226.8	281.0	110.7
1910-14	269.9	462.7	166.0
1930	247.8	487.1	155.9
1938	230.6	354.5	186.2
PIG IRON			
1860-64	4.1	0.8	0.7
1880-84	8.1	4.2	3.2
1900-04	8.6	16.4	8.9
1910-14	9.5	27.0	16.0
1930	6.3	32.3	11.6
1938	6.9	19.5	18.6
STEEL			
1865-69	0.2	0.3	0.2
1880-84	1.8	1.6	0.8
1900-04	4.9	13.4	7.3
1910-14	7.0	27.2	15.7
1930	7.4	41.4	13.3
1938	10.6	28.8	23.2

Sources: Walter T. Layton, *An Introduction to the Study of Prices* (London, 1920), pp. 180 ff, and League of Nations, *Statistical Year-Book* (Geneva, 1940).

globe, after the turbulent years of the Meiji Restoration, Japan began to evolve into a modern industrial nation.[5] If around 1870 Great

[5] Cf. E. Herbert Norman, *"Japan's Emergence as a Modern State,"* (Institute for Pacific Relations, 1940).

Britain was still the leading industrial power of the world,[6] with the United States, France and Japan trailing behind, by 1880 the United States had assumed the leadership, and by 1900 Britain had to yield even the runner-up place to Germany.[7]

The relative decline of Britain's industrial position is brought into relief by the comparison of Britain's output of basic materials with that of the United States and Germany shown in Table II.

That the United States and Germany should have overtaken Britain in volume of industrial output can be readily explained by the differences in size and natural endowments of the three countries. Much more complex, and at the same time farther reaching, however, are the factors responsible for the different rates of growth.

It was clearly to be expected that having started its industrial development earlier than other countries, Britain would display more modest rates of expansion at a later stage. This does not, however,

TABLE III

INDICES OF INDUSTRIAL OUTPUT IN GREAT BRITAIN, U. S. AND GERMANY[8]

(1860 = 100)

	Great Britain	*United States*	*Germany*
1860	100	100	100
1870	129	138	129
1880	156	213	179
1890	182	488	286
1900	232	675	464
1910	250	1,113	636
1913	294	1,250	714

[8] There is no over-all index of industrial output of Japan. The Japanese development was in some respects slower than that of the United States and Germany, but on the whole almost as impressive. From 1873 until 1900 the Japanese index of primary production showed an increase from 15.7 to 52.1 (1921-1925 average=100) while the index of mineral production rose even faster—from 1.03 in 1874 to 28.15 in 1900 (1921-1925 average=100). Shigeto Tsuru, "Economic Fluctuations in Japan, 1868-1893" in *The Review of Economic Statistics,* Volume XXIII, p. 187.

fully account for the striking discrepancy between the tempo of British development early in the century and that of the United States, Germany and Japan. Apparently, special considerations have to be taken into account for an explanation of why, during the 50 years when

[6] "Even as late as 1870, with little more than 2% of the world's population, we still produced one-third of the world's manufactures, and two-fifths of the world's exports of manufactures came from this country." G.D.A. Macdougall, "Britain's Foreign Trade Problem," *Economic Journal,* March 1947, p. 80.

[7] Rolf Wagenfuhr, *op. cit.,* p. 19.

the United States increased its industrial output 12½ times and Germany more than 7 times, as shown in Table III, Britain barely trebled its own.

Foremost among these considerations was Britain's unique position as a center of a colonial empire. That this position had a most favorable effect on Britain's national income and living standards goes without saying. That by facilitating the building up of large income-earning assets overseas, it helped to create an important source of future additions to Britain's currently available resources, is also obvious.

And yet it was by no means an unequivocal blessing. Exceptionally profitable opportunities for the employment of capital in overseas trade, shipping, and colonial enterprise presented alternatives consistently more attractive than investment in home industries.[9] The British investor began to frown on sinking his capital in domestic business, tying up his funds for lengthy periods [10] and confining his expectations to moderate and not always certain returns. Overseas commerce, Empire ventures and foreign financing appealed more to the imagination of the scions of Britain's wealthy families. There the turnover was more rapid, the profits larger and speculative prospects brighter.

British business thus developed in a paradoxical fashion. Energetic and venturesome in overseas trade and in exploring investment opportunities the world over, the British businessman grew increasingly conservative and cautious at home. "He preferred to conserve his traditional methods of work and the customs with which he had grown up, unsuitable though they sometimes were to the changing circumstances of the time." [11]

Its monopolistic position in the world created in British business an atmosphere of complacency. The demand for British goods appeared always assured, and competition seemed always negligible; even cyclical declines in the world markets could not shatter the self-

[9] "For many decades back the natural resources and industrial operations of the British Isles had not offered as great opportunities for gain—differences of risk and circumstances considered—as had those of foreign lands," Herbert Feis, *op. cit.*, p. 4. "The contribution made by the London capital market to industry's needs in the way of new long-term capital, has always been negligible, that market being concerned mainly with the export of capital. . . ." Henry Clay, "Britain's Declining Rôle in World Trade," *Foreign Affairs*, vol. 24, April 1946, p. 416.

[10] ". . . capital resources were often limited and as soon as a mine was sunk the cry was for output." Ministry of Fuel and Power, Coalmining, Report of the Technical Advisory Committee, Cmd, 6610, p. 3.

[11] Cmd, 6610 *loc. cit.* Although the quoted document refers in these terms to the British coal miner, this characteristic applies equally well to most other lines of business.

confidence of the British manufacturer, since those declines were attributable to causes beyond British control.

Nor should one overlook the social background of Britain's industrial economy. Based as that economy was on ample supplies of labor, and with land increasingly scarce and expensive, there was little inducement to substitute fixed capital for human labor. On the other hand, the stratification of British society, with its multitudinous feudal and aristocratic layers, exercised a strong influence on Britain's domestic market.

"In the United Kingdom . . . there remains an aristocracy and a middle class impregnated with aristocratic ideas, who reject mass-produced articles and insist on articles with individual character. These fancy goods cannot be mass-produced conveniently because the process of production differs between all the specialized articles and it pays small firms to specialize in the production of particular products." [12]

This specialization proved to be fertile ground for monopolistic formations of all kinds. Far-going product differentiation and extensive market controls made superfluous any striving for maximum efficiency in production. Both the domestic and the international traffic could bear high costs and still yield good profits and relatively high wages.

The economies of large-scale production consequently remained unrealized. Full advantage of modern technological developments could not be taken. Not only were many technical innovations suited only to large-scale production, but the capital outlays that they required frequently were in excess of what the British businessman cared to invest at home.

It would be an exaggeration to term the result "stagnation." There was a certain amount of growth in Britain during the decades preceding the First World War,[13] and total output continued to increase. It is justifiable, however, to refer to this period as one of "relative stagnation," relative, that is, to the rapidly expanding economies of the rest of the world. From 31.8 percent of the world's manufacturing production in 1870, Britain's share fell by 1913 to only 14 percent.[14]

[12] E. Rothbarth, "Causes of the Superior Efficiency of U.S.A. Industry as compared with British Industry," *Economic Journal*, Volume LVI, 1946, p. 386.
[13] Particularly in certain "new" industries, such as chemicals, and later, automobiles.
[14] *Industrialization and Foreign Trade*, League of Nations, 1945 p. 13.

3. *Deterioration*

The process that started during the last quarter of the nineteenth century reached its critical phase during the interwar period of the twenties and thirties. The continuous transfer of resources away from agriculture resulted in Britain's producing only one-third of its food requirements at home. Britain's export industries at the same time were losing ground in one field after another. Although still important suppliers of certain specialties, such as high quality textiles, leatherware, pottery and certain types of machinery and luxuries, British exporters were far from having their former virtually exclusive position in the world markets. Added to this the First World War disrupted Britain's international trade connections[15] and, what was even more significant, stimulated further the industrialization of countries that had previously been largely dependent on Britain for industrial products.[16]

Most important, however, was the rapid growth of productivity and of participation in world trade on the part of Britain's various competitors—the United States, Germany[17] and Japan. Enjoying the advantages of youth, the industries of these countries (not to mention Canada) were able to utilize the most up-to-date technology and mass-production methods. Led by men who were not heirs of well-established business but pioneers in new fields, the economies of the "new" countries made vigorous strides, rapidly overtaking their conservative and frequently smug British competitors. According to a comparison of productivity in Great Britain, Germany and the United States made by L. Rostas,[18] British average per capita productivity in manufacturing industry in 1935 was appreciably lower than in Germany, and less than half that in the United States. In shipping, even such smaller countries as Norway became an important threat. New York developed rapidly into a financial center that in many respects surpassed London.

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[15] "The war interrupted contact between United Kingdom industry and its overseas market for four years lengthened to six by the unfortunate postwar boom. . . . Its prewar markets had been forced to look elsewhere for supplies for so long that they had made themselves independent of British supplies." Henry Clay, *op. cit.* p. 414.

[16] Cf. Committee on Industry and Trade (Balfour Committee), *Survey of Overseas Markets*, 1926, and the interesting discussion in A. J. Brown, *Industrialization and Trade, The Changing World Pattern and the Position of Britain* (London, 1943), pp. 36 ff.

[17] Although the German rival was politically and militarily all but removed as a result of the First World War, in economic terms the victory was Pyrrhic. Pressed by the necessity of paying reparations and of financing essential imports, Germany resumed after 1924 its traditional competition with Britain.

[18] *Economic Journal*, April 1943.

Britain's share in world exports fell from 14.1 percent in 1901 to 13.1 percent in 1913 and 10.8 percent in 1929. On the import side the development was very similar: instead of the 24.4 percent of total world imports taken by Britain in 1901, only 15.3 percent were purchased by Britain in 1913 and 15.2 percent in 1929.[19]

Relative stagnation strongly tended to turn into absolute stagnation. It was not until 1929 that Britain's total industrial output regained for a brief interval its prewar level; the index[20] dropped off again in 1930, and only in 1937, partly under the impact of incipient rearmament,[21] did it significantly surpass the 1913 base, reaching 124 in 1937 and 116 in 1938.

The forces that had obstructed British industrial growth before the first war gained considerably in strength in the interwar period. That throughout that period the production of most investment goods lagged behind the level of total output was quite characteristic of the situation. It was also in the capital goods industries that British productivity lagged most behind that of the United States and Germany.[22] Of all domestic capital issues floated in 1913, 13 percent were earmarked for steel, iron and coal enterprises; in 1927-28 this percentage was but 2.5. In 1928, 17 million pounds are reported to have been invested in the iron, coal and shipbuilding industries, compared with 29 million pounds in the brewery, restaurant and entertainment businesses, and 10 million in commerce. Britain was moving rapidly toward a consumption-oriented economy.

The devolepment of foreign trade was even less auspicious. The share of goods produced for export in Britain's total industrial output declined as shown in Table IV. Between 1929 and 1938 the physical volume of exports fell by 20 percent. Some of this decline, to be sure, was due to the temporary influences of the world depression in 1929-32. A large part of it, however, was the consequence of the shrinkage of British markets because of the self-sufficiency policies fol-

[19] The figures for Britain's trade refer to 1901 and are taken from the *United States Statistical Abstract 1902*. World trade figures (referring to 1900) and the figures for 1913 are quoted from *United States Statistical Abstract, 1914*. The statistics for 1929 are from League of Nations, *Review of World Trade 1938* (Geneva, 1939).

[20] An index of industrial production for Great Britain from 1713 to 1931 was compiled by Walter Hoffman, the series and the method of computation of which are presented in *Weltwirtschaftliches Archiv*, Volume 40, September 1934, pp. 383 ff. For the years following 1924 there is also an index of industrial production released by the British Board of Trade.

[21] Budgetary outlays for defense purposes increased from 110 million pounds in 1929 to 280 million pounds in 1937.

[22] L. Rostas *op. cit.*, Cf. also A. J. Brown, *Applied Economics* (New York—Toronto, 1948), Chapter V.

lowed by other countries, as well as the intensified competition of the United States, Germany and Japan.

TABLE IV

PROPORTION OF BRITISH EXPORTS TO TOTAL BRITISH OUTPUT [23]

(In percent)

1907	33
1912	40
1924	27
1930	22
1938	15

Britain's exceptional position in the world economy thus continued to disintegrate. The monopoly of the British know-how—the rent that had been earned by Britain on its unique skills and special advantages—all but disappeared. This know-how became more and more ubiquitous throughout the world. Not only the United States and Germany, but even Canada, Australia, Russia and many lesser countries, had entirely or largely overcome their initial comparative disadvantages and had reached or significantly surpassed Britain in technical efficiency and productivity. With its own natural resources inferior to those of most of its competitors, with its plant and equipment largely obsolete, Britain was thus steadily losing in the interwar period the economic basis of its traditionally high standard of living.

This decay of the British economic status would have become quite obvious had it not been for three important factors. The first of these was the almost continuous depression in the world's agricultural and raw material markets which during much of the interwar period resulted in terms of trade highly favorable to countries which exported manufactured goods. Between 1929 and 1938 the prices of British exports declined by only 12 percent while those of goods imported by Britain dropped by 24 percent. As a result, the adverse British trade balance failed to increase at all (actually declining from 392 million pounds in 1929 to 387 million in 1938).

Another mitigating factor was the large volume of British invisible exports. It was not as important as before the First World War, when

[23] Henry Clay, *op. cit.*, p. 417. It should be noted that these figures are qualified by Professor Clay as tentative and that it is not explained whether they refer to the share of the physical volume or of the value of the total output.

receipts for shipping services, commissions, insurance and the like nearly sufficed to balance Britain's trade deficit. (In 1913 the trade deficit had amounted to 158 million pounds, while net income from shipping, commissions and other services had reached 129 million). Still, it contributed a great deal to easing Britain's balance of payments position; in 1929, for example, these invisible items offset 210 million pounds of the 381 million deficit on merchandise account.

Most important of all, however, was the income from foreign investment. The actual magnitude both of the total British investment abroad and of the income derived therefrom is a moot problem. "The statistics relating to British overseas investment are incomplete, intermittent and in many respects unsatisfactory." [24] Divergent as these statistics are, they nevertheless indicate the scale of the crucial magnitudes: from a total foreign investment oscillating during the interwar period around 3.4 billion pounds, Britain received an annual income of some 200 million pounds.

This income, to be sure, declined during the interwar period. The generally depressed economic conditions in the world led to a steady deterioration of returns on capital invested abroad; from 1929 to 1938 alone they diminished by 46-50 million pounds, or 22 percent. Nevertheless, with the revenue earned through invisible exports these receipts enabled Britain to balance its foreign payments in spite of consistent trade deficits. In the thirties, however, liquidation of foreign assets on a significant scale became inevitable.[25] But sizeable as these encroachments were, they did not yet constitute a serious danger since the total amount of British assets abroad remained impressively large.

II. THE CRISIS

These props of an increasingly precarious balance were shattered by the Second World War. The longerrun effects of the war on Britain's economic status as yet can hardly be assessed; its immediate impact, however, was of major proportions. The vast war expenditures abroad had to be financed in part by foreign disinvestment, as shown in Table V, and the net income from foreign assets accordingly declined sharply. During the Anglo-American loan negotiations in Washington it was still expected that about 100 million pounds annually would be available to Britain from this source, but actually

[24] "British Capital Abroad", *The Economist*, November 20, 1937, pp. 358 ff.
[25] Cf. *National Provincial Bank Review*, August, 1948, p. 10.

the net receipts from investment, dividends and profits dropped to 73 million pounds in 1946, to 47 million in 1947 and to 50 million in 1948.[26]

TABLE V

UNITED KINGDOM EXTERNAL DISINVESTMENT, SEPTEMBER 1939-JUNE 1945

(In millions of pounds; so far as recorded, but probably understated)

Realization of external capital assets	1,115
Increase in external liabilities	2,880
Decrease in gold and United States dollar reserves	153
Unallocated	50
Total	4,198

Source: *Statistical Material Presented during the Washington Negotiations,* Cmd. 6707, December 1945.

It is rather important, though frequently overlooked, that the reduction of Britain's overseas holdings assumed the form not so much of a liquidation of foreign investments as of an increase of foreign liabilities. The remaining British income earning assets abroad are still in the neighborhood of 3 billion pounds.[27] The decline in the net revenue derived from overseas investments is thus due more to increased British payments abroad on interest, dividends and profit account than to reduced British receipts of foreign remittances of interest, dividends and profits. It thus was obviously the well-considered policy of the British government to borrow abroad in preference to liquidating British-owned foreign property—a policy based presumably on the time-honored consideration that assets disposed of are irretrievably gone while debits incurred may be made subject to future "re-negotiation"—a policy that seems likely to prove its wisdom in a none too distant future if it has not done so already. The effect on Britain's immediate position, however, is no different from what it would have been if this net disinvestment had been carried out exclusively through the wholesale liquidation of foreign assets.

[26] In appraising the magnitude of the loss, the changes in prices have to be borne in mind. The 1948 figure is an annual rate based on the first 6 months.

[27] Paul Bareau, "Britain's Invisible Exports," *The Banker,* April 1948, p. 35.

Income from other invisible exports fared even worse than receipts from foreign investments. Instead of helping to offset Britain's trade deficit, the invisible items after the war became a net drain on British resources. This is partly explained by the reduction in British shipping, which fell from 22.1 million deadweight tons in September 1939 to 15.1 million at the end of the war.[28] More significant were the losses of income from the commissions, financial fees, insurance and re-export profits that had constituted a large part of the invisible items before the war, and which all but disappeared as a result of the war.

But probably the largest single factor in undermining Britain's economic position was the disappearance of the third mitigating factor —the favorable terms of trade enjoyed by Britain before the war. The vast wartime expansion in the international demand for goods and services caused world prices to rise nearly threefold over the

TABLE VI

INDICES OF BRITISH IMPORT AND EXPORT PRICES

(1938 = 100)

	Import prices	*Export prices*
December 1939	130	106
December 1945	195	194
December 1946	223	210
December 1947	263	244
December 1948	297	259

The indices measure the changes in the aggregate value of representative selections of imports or exports.

Source: Central Statistical Office, *Monthly Digest of Statistics,* No. 37, February 1949, p. 127.

1938 level. Even if the prices of British exports had risen as much as those of British imports, Britain's adverse trade balance would still have shown an increase.[29] In actual fact, however, the relative prices of agricultural and industrial commodities turned sharply in

[28] *Statistical Material Presented During the Washington Negotiations,* Cmd. 6707, December 1945, App. II.

[29] Even this increase would have been important since the sterling value of offsetting balance-of-payments items (revenue from foreign investment, some receipts for "invisibles", etc.) has risen, if at all, not in proportion to the increase in commodity prices.

favor of the former, as shown in Table VI, widening still further the gap in Britain's balance of trade.

The overriding importance, however, of the postwar increase in absolute, as against relative, prices can be best seen by revaluing 1948 imports and exports in terms of December 1939 prices. In that month the terms of trade were actually worse than they were in 1948. Nevertheless, because of the lower absolute level of both import and export prices at that time, Britain's 1948 trade deficit on the basis of December 1939 prices would have been 152 million pounds instead of the actual 218 million, as is apparent from Table VII.

TABLE VII

BRITAIN'S TRADE BALANCE IN 1948

(In millions of pounds)

In terms of	*Imports*	*Exports*	*Deficit*
1948 prices	1,768	1,550	218
December 1939 prices	801	649	152
1938 prices	616	613	3

The crisis latent for the last three to four decades has thus reached the inevitable climax. The unique configuration of circumstances that had prevented Britain's economic difficulties from breaking into the open 10 or 20 years ago has disintegrated under the impact of the economic and political cataclysm of the war. The dwindling of Britain's "unrequited" foreign receipts (in money terms, and even more in real terms) confines the British economy essentially to its domestically available resources. At the same time the productivity of these resources, i. e. their ability to yield goods and services required by Britain for utilization at home and abroad, has declined rather seriously.

The technical backwardness of the British productive apparatus, pronounced as it already was, became even more marked after the end of the war. The physical damages suffered during the war and the wear and tear of productive equipment that could not be made good under war conditions seriously reduced the physical productivity of the British economy. At the same time the "world market productivity" of the export sector, i. e. the volume of foreign goods and services that Britain could acquire in exchange for a unit of its exports, declined even more drastically.

Britain's national resources, thus greatly curtailed, were called upon to meet greatly expanded requirements. The international tension inherited from the war necessitated the continued maintenance of a sizeable military establishment at home and abroad. The growth of the social aspirations of the population, the enhanced influence of labor, a high degree of unionization and wartime experiences of full employment, another more even distribution of income—all render the maintenance of relatively high consumption standards politically mandatory. The increasingly obvious technical inadequacy of plant and equipment urgently demand vast outlays for modernization and expansion. Last, but not least, the discrepancy between the size of the available British cake and the magnitude of the claims against it have resulted in the need for a vast array of public and private officials whose function during the war and since has been to administer the controls over the utilization and allocation of the scarce resources.

The gap between these expanded requirements and the resources available to satisfy them is essentially what constitutes the current British crisis. The struggle over the methods for closing this gap is essentially what constitutes current British politics.

NOTES ON THE JAPANESE EMPEROR[1]

by THURSTON GRIGGS

In passing sentence for the International Tribunal upon 25 of Japan's class A war criminals Sir William Webb, President of the Tribunal, cited Emperor Hirohito, himself not on trial, as morally responsible but politically immune.[2] Condemnation of Japan's chief wartime leaders after a 54 months' trial would have underlined the anomaly of Hirohito's position even without this collateral citation. The failure to define Hirohito's responsibility for acts executed in his name during the war obscures his present status and function. If Hirohito was sovereign, as he was represented to have been during the period of Japan's aggression, why is he not responsible for crimes of war aggression? Did his surrender nullify his guilt? If Hirohito had neither political responsibility nor freedom of personal initiative prior to VJ-day, how could he assume them in surrender? Did he acquire in surrender power he had not previously had? Has there been a real change in the nature of his power? Could he abdicate? How is the Emperor now being used?

Immediately after VJ-day, there was widespread fear in Japan for the Emperor's safety, particularly in view of the Potsdam Declaration. Responsible officials knew that Hirohito could be considered a war criminal. At the beginning of the war crimes trial Hideki Tojo, principal defendant, expressed fear that the Emperor might be implicated. To protect the Emperor and salvage the imperial system. Baron Shidehara and Joji Matsumoto, members of the first cabinet of occupied Japan, averred that, under the Japanese Constitution, the government ministers were alone responsible for their actions during the war, even though such acts were carried out with the knowledge and approval of the Emperor. Supporting this view, Dr. Sokichi Tsuda said the Emperor merely "announced" the Declaration of War determined by his ministers. It was only after the initial panic had subsided that arguments regarding the Emperor's war guilt became more studied.

[1] Use had been made of documentary spade-work in a study by Genji Okubo, "The Problems of the Emperor System in Postwar Japan," *Nihon Taiheiyo Mondai Chosakai*, distributed by the International Publishing Co., Ltd. (Tokyo), 1948.

[2] Speaking unofficially, Sir William has charged that Hirohito should have been prosecuted. In the trials, according to a UP dispatch from Tokyo January 13, 1949, trials of evidence leading to the Emperor were abandoned by the prosecution, without a full explanation because the order to refrain from prosecuting the Emperor was top secret at the time.

The question of the Emperor's guilt was made more complex by his role in terminating the war. Months before the atom bombs were used, most Japanese admirals knew that Japan's economic condition was serious; distress was felt by the populace, and elements in the homeland army were becoming restless. On February 4, 1945, with Germany's defeat in sight, Prince Konoye told the Emperor Japan's surrender was inevitable. Konoye foresaw less danger to the imperial system in surrender than in risking communist or military extremist revolution on the home front. The United States, he felt, would not destroy the imperial position or weaken Japan's internal structure. Subsequently, when struggles broke out between high army and navy factions over the surrender, Hirohito, presumably acting on his own, broke the stalemate despite army opposition and accepted the Potsdam conditions. This decision involved personal risk. Hirohito himself was not sure whether it would forestall his abdication or his execution as a war criminal. In any case action had been necessary to hold Japan together, yet because of the Potsdam terms, surrender might mean the end of the emperor system in Japan. Paradoxically the system asserted itself most vigorously on what appeared to be the eve of its demise. For a time it was not clear whether the emperor system had committed hara-kiri or whether by its self-assertion in the face of defeat it had managed to strengthen itself. On September 4, barely three weeks after surrender, the premier, Prince Higashikuni, credited Hirohito with saving Japan.

Certainly it was an advantage to Japan to retain her political system in surrender. Whether this might also help the conquerors remained to be seen. The decision to retain the Emperor was based neither upon his role in effecting Japan's surrender not upon considerations of his responsibility for crimes of aggressive warfare. In the first weeks the Emperor was retained purely as a matter of administrative expediency.

On the Japanese scene, however, speculations as to his war guilt were confused by his position as leader in peace. If Hirohito was personally responsible for the surrender rescript, why was he not likewise responsible for the declaration of war? If the emperor system continued to operate as a symbol of Japanese political integrity, was Japan as a nation undefeated? For most Japanese, even up to the end of the war crimes trials, these questions remained unanswered.

Allied policymakers were confronted by similar questions. Having

used the emperor system initially in spite of its wartime functions, could they renovate it to eliminate its aggressive military features and transform it into a democratic institution. The American Government directive to SCAP called for preservation of a limited constitutional monarchy "because the Japanese wanted it." The directive went on to specify that SCAP should discreetly popularize and humanize the Emperor. The architects of occupation thus tried to retain the devotion and loyalty paid to the imperial symbol while changing what the symbol stood for. The Emperor was to lose real power by yielding to the Diet and taking orders from SCAP while increasing in stature as a man. Such a project was consistent with foreign thought, but was incomprehensible to the Japanese.

The first problem was the Emperor's divinity. In the eyes of the populace he had been an omnipotent god. Since he renounced his divinity under foreign pressure and still acted as ruler symbolizing the nation, the renunciation could be considered merely a verbal trick.

As a man Hirohito was not an appealing and popular figure, and moreover his status still was in question. The new Constitution drawn up by SCAP, did little to clarify the problem. It outlawed war (thus purging Japan of aggressive taint), made the Emperor a symbol (non-religious, purportedly) and conferred sovereignty upon the people. Premier Yoshida asserted that Japan never had had a tyrannical government; the present Constitution, he said, had its origin 80 years ago in the Five Articles of the Charter Oath of the Emperor Meiji and is by implication, therefore, a real Japanese institution. Yoshida in his way implied that the new Constitution brought no innovation concerning the emperor system. It seemed, therefore, that the Emperor had been retained but his true status under the new Constitution was obscured. Consequently no one seemed to know the strength of the new imperial system. The great flaw was that the supremacy of the Constitution over the person and function of the Emperor was not established.

A succession of confusing scholarly and political discourses about the imperial system ensued. Previously an object of religious faith and patriotic loyalty, theoretical fountainhead of national government administration and spearhead of military power, he had in fact embodied the state. Now he became a human being. It became difficult to determine what actions to attribute to him as an individual, what to him as the symbol of the state, whether anyone could assume his

position or whether his unbroken ancestry made him unique and the object of special veneration. Japanese leaders seemed afraid to delve into these questions. Either he is a man or he is the focus of powerful sentiments and lines of authority in national life. If he is merely a man, what entitles him to be representative of the forces of national life? If, on the other hand, he is the embodiment of national ideals and aspirations, then he is superhuman and merits reverential treatment.

It was still not clear, furthermore, where sovereignty lies. Previously it had been with the monarch, yet now, under the shadow of foreign occupation and without a domestic ideological revolution to develop the idea, sovereignty reputedly lies with the people. It was uncertain whether the introduction of popular democracy would bring about a radical change in the machinery of administration and who in this paternalistic culture would assume ultimate power.

There seemed to be no established authority to settle such questions. Some individuals, notably among the Communists, took a stand favoring elimination either of the throne altogether or of Hirohito personally. Opposing them were extremists who went as far as they could in support of the old imperial system without actually falling into the category of war criminals. Konoye, Matsudaira, Yoshida and Kagawa supported the concept of a still powerful, although democratic or popular, monarch. The majority of political leaders seemed to prefer a somewhat obscure status. Many of these individuals themselves were currently enjoying greater power than ever before.

Through five cabinet changes, therefore, the Emperor was retained under SCAP to become the symbol not of the state but of the people. This metamorphosis of the emperor system moved forward in two directions. First, the religious and patriotic loyalty to the Emperor thoroughly ingrained in the common people was used to maintain public morale and national unity. The Emperor himself cited precedents from what had been the militant nationalism of his grandfather's reign, and popular sanction was asked not on the basis of a revolution in political thinking but on the basis of previous loyalties to the imperial system and upon imperial precedents. Second (and seemingly antithetical to retention of the throne), a debunking of the exalted, omnipotent and sacred position of the Emperor was necessary to establish new centers of political power. The new Constitution deprived the Emperor even of veto power such as monarchs

elsewhere enjoy, and this lent more than theoretical support to the view that the Emperor now was administratively powerless. Such was the theory. In fact, the moral power of the Emperor, although used by SCAP rarely and only for specific purposes, still might prove considerable because of the heritage of absolute monarchy and its hold on the people. Although a Japanese scholar has pointed out that the Imperial Family is a shamanistic feature of Japan's social structure and that political and social power may shift elsewhere, this concept was too academic to be popular.

The view that the Imperial Family is merely an *agent* in matters of political power, although familiar to foreigners, has been unthinkable in Japan during her rise as a modern power. It was not until the Meiji restoration in 1868 that the distorted theory of divine imperial omnipotence (promulgated by political forces uniting behind the throne) was developed. The distortion was this: since the throne was the divine power it could not be used by any force which was not subservient to it. This is a thinly veiled manifestation of a social concept in oriental society where paternal authority is absolute; those theoretically subservient manipulate their superior's authority and power to serve their own ends. This is reciprocated by the superior protecting his subordinates. This system was put into practice in political affairs during the Meiji period; but to make matters worse, it was projected into the past, as though it always had existed and had been divinely ordained. Those who understood it and knew how to use it were certain of political power.

The occupation of Japan has done much to upset that political stratagem. If Japan can be revived through a cooperative effort of SCAP and Japanese administrators and political leaders, then in time the Emperor's former power in national affairs may become merely a memory. But meanwhile the emperor concept survives. The intended change in Hirohito's status is not clear because he is the same man under whom Japan waged war and to the public his divinity was not subverted merely because an external force was able to defeat Japan in war. The Emperor's stature before the world, in other words, may be appreciably lessened, but the Japanese are mystified by the sudden humanizing of one they have always regarded as divine.

Mystical considerations have little influence on politically conscious leaders. The only Japanese who could be relied upon to avert chaos

when Japan was occupied were of necessity those who had knowledge of the system existing during the war. Although many of these men gradually were eased out or purged as war criminals, those pressed into service as leaders and administrators, particularly in the lower brackets, were former adherents of the Emperor structure—the only political structure Japan knew. The spirit of old Japan was being slowly reborn. Behind this conservative-sponsored reconstruction there might well be the shadow of the imperial structure ready to stage a come-back when the occupation ends. On December 6, 1948 Premier Yoshida was questioned in the Diet about a press report that Hirohito had sent a personal message to President Truman. Yoshida did not deny outright that such a message had been sent but hedged and said that in any case he hadn't known about it. It would have had to go through channels, he said, since under the new Constitution the Emperor does not have the power to initiate such foreign contacts. Yoshida himself disclaimed responsibility, but the Diet ordered an investigation.

The puzzling position of the Emperor was epitomized when the war crimes trial came to an end. When seven of the convicted war criminals were executed, newspaper editorials attempted to counteract a feeling that the loyal ministers were taking the rap for the throne and the nation, by declaring the guilt nation-wide. Since Hirohito had been cited in the war crimes trial as morally responsible, it was fitting that he represent this widespread feeling of national guilt. This provided only a momentary set-back to imperialist forces in the government, however, for Hirohito was "politically not responsible." Critics of the emperor structure spoke out again after the war crimes trials. Jiichiro Matsumoto, Vice President of the Upper House, stated that Hirohito should "clarify at least his moral responsibility" for not preventing the war. It is perhaps of interest that on February 29, 1949 Matsumoto was purged and prohibited from holding any public office in the future.

In retaining Hirohito the Allies inherited a powerful myth. Whether the myth can be made innocuous and supplanted by better controlled forces remains to be seen. Meanwhile, SCAP has accepted whatever onus accrues to the Emperor. One Japanese student of the subject, Genji Okubo, suggests that if the Emperor system can be used to advantage by foreigners, then it can be used by fascists again in Japan. This is a fairly widespread fear among Japanese

liberals. The logical conclusion would be eradication of the emperor function altogther; and that is what the Communists have wanted. The solution being attempted at present however, is to develop slowly the strength of other centers in Japan so that political power may center in the Diet and in the administrative bureaus of the government.

From time to time since VJ-day suggestions have been made that the Emperor abdicate. Certainly this would dispose of some questions regarding his war guilt now raised anew by the trials. It would further allow Crown Prince Akihito, under a regent, to take over the public relations job. It would in effect constitute a renunciation of power that might be interpreted as a personal and human failure on the part of the symbol of the nation's sovereignty. Evidence that this would not be considered useful by the occupation authorities came in a press disptach on January 10, 1949. In a 2 hour meeting with Hirohito, General MacArthur dealth with rumors of the Emperor's abdication because of war guilt by telling him he should not abdicate but should continue to lead the nation. Perhaps SCAP thought that abdication by Hirohito would give Akihito too clean a slate and enable him to become too popular. Retention of the weakened and defeated Hirohito, despite the confused hold-over of aggressive nationalism centering about his position, might prove more useful to SCAP than installation of a new and guiltless, and hence less maneuverable and possibly more powerful, figurehead. The present Emperor, like his people, is morally responsible—guilty by reason of ignorance or impotence or fanaticism; yet he survives. His fate at present seems to be primarily in the hands of SCAP; consequently those Japanese engaged in effecting the nation's revival can go about their work with momentary disregard for the Emperor, for he is now SCAP's "baby." In the future however, the question of supremacy of the Constitution and sovereignty of the people may once again become enmeshed in considerations of the Emperor's status.

The question of communism enters the picture here. Communism in Japan inevitably would call for abolition of the Emperor, since Communists cannot allow in any state a power more ultimate than their dogma. In Japan the Emperor now stands apart from, and above, the power struggles between the conservatives and the communists. His retention, designed to serve as an ideological bulwark against communism, however, might only provoke further antagonism between communist and non-communist forces in Japan.

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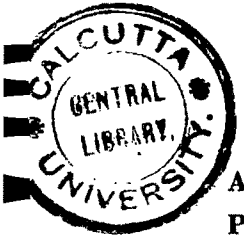

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THE "BOLD NEW PROGRAM"

The Bold New Program announced by President Truman in his inaugural address was bound to attract the attention of prospective recipients of assistance, of would-be investors and, naturally, of aspiring planners, administrators and coordinators. Although at present still inchoate, the Bold New Program (as yet spared the reduction to BNP) touches upon too many basic needs to be dismissed as a mere uplifting slogan.

The following investigation of some aspects of Point Four represents two different approaches to the problem. Cornelia B. Rose, Jr., who has worked in the field of international economics for leading banking institutions and the Government over a period of 20 years, included in her investigation an attempt to find out, through personal interviews and a careful analysis of available pronouncements, what Point IV means to some people who may be called upon to implement it. Dr. Rayford W. Logan, Chairman of the Department of History, Howard University, interprets the hopes which the inhabitants of underdeveloped areas—the intended beneficiaries of the Bold New Program—may be expected to attach to Point IV, as well as their fear lest the New Program turn out to be merely "imperialism made more profitable."

SOME ASPECTS OF POINT IV

by CORNELIA B. ROSE, JR.

How bold, and how new, is the "bold new program" called for by President Truman in his inaugural address? As outlined by him, the United States would "make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development." He ruled out "the old imperialism—exploitation for profit," and asserted that "greater production is the key to prosperity and peace."

Something Old and Something New

It can be and has been maintained that there is nothing new in this program, that it is simply an extension of the "Good Neighbor" policy on a world-wide basis.[1] On the other hand, it can be considered a departure from recent American foreign economic policy and a reversion to reliance upon private rather than public funds, initiative and personnel. The variety of interpretations given Point IV since its announcement on January 20 demonstrates the need for clarification.

[1] Secretary of Agriculture Brannan, in a speech to the National Farm Institute, at Des Moines, Iowa. *Washington Post*, February 20, 1949.

In the United States, two groups especially have welcomed the "new" program: those who see in it the end of foreign aid on the order of the European Recovery Program; and those who have wanted a foreign economic policy which, as a practical matter, could be applied on a world-wide basis. There has been a growing recognition in responsible quarters not only of the need to relieve the American taxpayer, but that gifts of money and goods are not enough to bring about a sound world economy. Experience of the financial and related limitations which necessarily apply to the Marshall Plan is forcing a realization that the ERP countries will not reach the desired goal of standing on their own feet unless improved world economic conditions can be provided.

The United States probably cannot entirely cease doling out funds for foreign relief. However, the shift from the present policy to a program where funds are incidental would indicate that we have set out on a new course. President Truman thus gave comfort to those who want to see an end to what has been called "Operation Rathole" when he acknowledged that "the material resources which we can afford to use for the assistance of other people are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible."

The development of this country was fostered by technical skill brought by immigrants. As we became a machinery exporting nation, the knowledge of methods and procedures began to flow from the United States to less developed areas. Conscious impetus was given to this movement by programs undertaken shortly before and during the war. By now, the United States has reached a stage of economic evolution in which the export of techniques can become a major element in its international relations. On the government level, these efforts, originally confined by statute to Latin America and the Philippines, in 1948 became possible elsewhere. The present significance of our past endeavors lies not so much in the concrete results achieved (although within limitations these have been substantial) as in the experience gained by the United States in handling this type of export. These lessons should prove valuable now that we are to undertake a major program on a broader front and on a larger scale.

The task now assumed by the United States is to furnish the stimulus to underdeveloped countries to organize their own human and material resources so that their productivity may be increased and

their standards of living lifted. Of necessity, this is a long range program, and as such is in contrast to previous American assistance projects, some of which were designed to relieve acute distress, others to repair war damages or to facilitate the procurement of strategic materials or increase wartime effectiveness. The greater need for the integration of efforts and appropriate scheduling inherent in this long range undertaking implies an even more protracted period of planning and coordination at various levels than was necessary for the European Recovery Program.

Some Basic Assumptions

It is believed that the U.S. Government's objective of securing world peace will be advanced by the improvement of economic conditions and living standards the world over. This can be facilitated by making American technical skill and capital available to foreign countries for the development of their human and material resources.

Industrialization is seen as one of the chief means for raising the standard of living of the peoples of underdeveloped areas. It is considered essential to the well-being of the developed countries as well. Acceptance of this view as a national policy represents a victory over those who hold that industrial development in other areas will reduce foreign markets for our own manufactured goods.

The motivation for adopting an industrialization policy springs from two sources. On the economic side, it is contended that "the industrial development of undeveloped areas of the world will increase and not decrease their ability and desire to buy and import goods of foreign make," [2] and hence that they will be better customers than before. President Truman stated: "Experience shows that our commerce with other countries expands as they progress industrially and economically." Politically, this policy is viewed as an important weapon on behalf of democratic freedoms. Communism flourishes in poor soil, on poverty—so runs the argument; improve living conditions and you undermine the appeal of and increase the resistance to the Communist ideology. The belief that Communism is a threat to America's way of life is so widely cherished that in itself it might possibly be sufficient to quell the doubts of those who see

[2] George H. Houston, *Industrializing Non-industrial Areas of the World,* address before the 1948 annual meeting of the Machinery and Allied Products Institute, June 1948.

future economic detriment in a course which encourages increased industrialization abroad.

The desirability of increased industrialization throughout the world is linked to the concept of a direct correlation between the amount of per capita income and the degree of industrialization, measured by the occupational distribution of the working population.[3] It is contended that standards of living will rise if the proportion of the working population engaged in agriculture is lowered. If this is true, it follows that if the world's food supplies are to be expanded or even maintained at present levels, agricultural productivity must be increased. Creation of new production facilities must be accompanied or preceded by more efficient use of existing resources, both human and material.

Too often in the past industrialization has meant exploitation of cheap human and natural resources for entrepreneurial profit. From the point of view of the standard of living of the working population, it mattered little whether the exploitation was for local or foreign benefit. Such exploitation is to be avoided in the future.

To prove the validity of these theories through practical application is a formidable task. Here it is that the boldness called for by President Truman will have to come into play. But to push too fast might well aggravate the conditions we seek to alleviate, and desirable ends may well be forfeited by the selection of inappropriate means.

Government Control or Private Enterprise?

While most may accept the broad objectives of the program, individual American businessmen can be expected to have divergent views on a proposal to speed the industrialization of other areas. Some see an opportunity for immediately expanded markets. Here is one point where planning must be called into play to check super-salesmanship. Too rapid, inappropriate development can dissipate the good effects which the policy might achieve. American industry by itself is not well situated to supply this check, nor can it be expected to have the perspective necessary to secure proper balance between different industries and different areas. Care must be taken, for instance, to equate the absorptive capacity of the market—either domestic or export—with the expanded production facilities created. This caution

[3] Louis H. Bean, *International Industrialization and Per Capita Income*, paper presented at Conference on Research in Income and Wealth, National Bureau of Economic Research, April 1944.

applies whether capital or consumer goods industries are involved.

Some elements in the business world, although favoring the program in principle, may be reluctant to cooperate actively. They may have positive objections to the support of future competitors in their specific field or may be chary of entering foreign markets. In this latter connection a recent survey [4] is of interest. On the basis of replies from a random sample of American manufacturing concerns, it was concluded that interest in the foreign field was increasing. At the same time, it was revealed that few companies had taken steps to survey the possibilities, while many felt that the obstacles likely to be encountered precluded such a venture under present conditions.

It has been pointed out that the exportation of capital goods to non-industrialized areas differs from the export of capital goods for the rehabilitation of industry in established industrial countries such as those in Europe. The export of capital goods to undeveloped areas will be effective only if accompanied by the export of techniques for their use and of management and administration practices in the application of these techniques. The question which is raised here is whether this can be most effectively conducted on an industry-to-industry, or on a government-to-government basis. Actually, the most advantageous arrangement probably will prove to be a judicious mixture of government and business operation. This points to the need for some central organization to coordinate effort and to eliminate waste.

While it is undoubtedly possible that some expansion of foreign manufacturing facilities can be undertaken at the inception of the Point IV program, the greater likelihood is that this will be a secondary step. In many instances, the primary needs are seen as the development of power resources and of transportation facilities and the improvement of agricultural techniques. Moreover, it is recognized that if the program is to be "socially minded," social and institutional adjustments must often accompany or precede economic development. Better sanitation and health and broader education for the backward peoples are included among the goals to be reached by a policy designed to raise standards of living.[5] In addition, legal, fiscal and administrative procedures may need revision. In these fields,

[4] Lloyd J. Hughlett, *Opportunities and Requirements for U.S. Engineers Abroad*, presented before the annual meeting of the American Society of Mechanical Engineers, December 1948.

[5] See the article of Dr. R. W. Logan in this issue, pp.

government technicians supplied on a government-to-government basis may be required. Thus government will have to shoulder the major responsibility in the early stages of the undertaking.

Although the scope of the problem has barely been indicated here, enough has been said to emphasize the need for authoritative coordination lest effort be dissipated. Here is a dilemma presented by the new policy—a conflict which did not arise so long as American exports of capital goods and know-how were carried on in an individual, unplanned manner. One of the avowed objectives of the Point IV program is to acquaint other countries with "the American way of life"—in which private enterprise predominates. How much conviction will efforts to propagate this doctrine carry if the authoritative agency is exclusively or primarily a government instrument? Yet how far-reaching or successful can any practical endeavors be unless government occupies a leading role? Even after the initial steps have been taken, in spheres more suited to public than private cooperation, and the stage of increased direct industrialization has been reached, private enterprise will be handicapped. In truly undeveloped countries there is no industry with which American business can deal, and unilateral efforts would give off the sour smell of exploitation or would readily lend themselves to adverse propaganda purposes.

Is Multilateral Cooperation Possible?

In official discussion considerable stress has been laid upon the multilateral aspects of a world-wide program of economic development. Consideration of various specific areas in which this program might operate has not been attempted here. In general discussion it has been assumed that underdeveloped areas referred to Africa, the Far East, some parts of Latin America and the Near East. But if the criterion is the degree to which labor productivity and utilization of natural resources have lagged, many countries in Europe can be included insofar as certain sectors of their economies are concerned. **As a practical matter an undeveloped area where the program is put into operation probably will be any area willing to cooperate, where the economic return promises to be large in relation to the effort and funds expended and, incidentally, where the quickest political advantages are likely to accrue to the United States and to other "freedom-loving peoples."**

Following established patterns, the countries receiving assistance will make positive contributions to the program within the limit of their own abilities. If developed countries other than the United States are to cooperate in the supply of capital, goods and techniques, the approval, if not the direct participation, of the respective governments is necessary. In practical application, in the initial stages at least, the value of attempting to obtain such cooperation appears limited. Its chief significance would appear as a means of removing the stigma of dictatorship from the American effort. This charge would lose some of its force if concrete evidence could be adduced that governments other than that of the United States are taking an active part.

To convince those countries—chiefly European—sufficiently developed to make a contribution, of the value of such cooperation poses difficulties. Their physical means as well as their skilled personnel are limited and are being devoted to an intensive effort to rehabilitate their own war-shattered economies. Despite their need for expanded exports, available surpluses are not of the type which will greatly enhance the development of backward areas nor would sales in such areas garner any coveted dollars. Under these conditions, problematical long-term advantages have little appeal. Moreover, in the case of the colonial powers at least, the long tradition of protected markets would have to be abandoned if efforts are to be not bilateral but truly multilateral. This tradition may prove a handicap to the acceptance of any but the most superficial development assistance from the United States, even where the colonial power itself is unable to supply needed capital, goods and technical advice.

One of the first concrete steps taken by the United States government to set the program in motion has been to inform the United Nations that "it is about to embark upon a broad program in the field of technical cooperation in aid of economic development. As an essential part of this program, the United States is prepared to work with other countries through the United Nations and the Specialized Agencies whenever practical . . ." [6] It was suggested that a concrete program be formulated for consideration by the Economic and Social Council and it was proposed to set up special projects

[6] Statement of US Representative Willard L. Thorp in the Economic and Social Council, February 24, 1949.

budgets which would permit special contributions for purposes of technical cooperation.

In the past, although the United Nations has recognized the provision of technical assistance as one of its major responsibilities and machinery has been created, particularly in the specialized agencies like the Food and Agriculture Organization, to carry out this function, the volume of funds available has been limited. Nevertheless, a substantial amount of such assistance has been rendered, and other projects are now in process.[7] Substantially increased funds must be made available, however, before the program can be expanded. Moreover, despite the political desirability of routing the Point IV program through the United Nations, the realities of international relations suggest that it may be years before this objective can be fully realized.

Problems of Financing

The United States is increasingly less willing to support the financial burden of foreign assistance programs from public funds alone. Concern in many responsible quarters over the ERP approach springs not only from doubt of the long continued ability of the United States to provide the wherewithal for the rehabilitation and development of the rest of the world, but also from the belief that sooner or later the American public will grow weary of wartime tax rates to finance aid to foreign countries and, seeking relief from this burden, will find a haven in traditional "isolationism."

While in its early stages the program may be expected to concentrate on technical assistance which requires only limited financing, in many cases it will be justified only if it leads eventually to large investments. Official statements stress the importance of enlarging the role of private capital in foreign investment. Moreover, in view of other American commitments, it is unlikely that any large volume of United States funds could be devoted to the Point IV program. The fact remains that direct or indirect government financing is appropriate for certain types of development projects. Existing machinery can be utilized in such instances. There is room for expansion in the activities of the Export-Import Bank and the International Bank for Reconstruction and Development. The present resources of these two

[7] Cf. *Technical Assistance for Economic Development*, United Nations Publications 1948: II:B.2 and *Technical and Scientific Cooperation*, Office of Public Affairs, Department of State, February 1949.

institutions are inadequate for a truly large scale program. The lending operations of these agencies are restricted;[8] they nonetheless can provide substantial encouragement to private investment.

The private capital required can come from either local or foreign sources. In some countries, substantial amounts of private capital exist which can be mobilized for productive investment in a development program. The efforts made by foreign governments to institute reforms which will bring about this mobilization will be an earnest of their willingness to cooperate and of their desire to benefit from the Point IV policy. There must be a fuller recognition than in the past that "the major effort in the development of any country must be made by that country itself. Foreign assistance may be important, even essential, but the initiative, the labor and the greater part of the capital must be supplied locally. Indeed, in the long run foreign investment may impede rather than accelerate development along sound lines unless domestic conditions furnish a firm economic base for such investment." [9]

If the effort to increase productivity is successful, the formation of domestic capital may be stimulated. Thus, as the program progresses, the means for further expansion may be created. Although the rate at which savings grow will vary from country to country, in no case is it likely to be rapid. The long range objectives will require a judicious balance between current savings to provide capital requirements and adequate consumption for an improving standard of living essential to economic progress.

The short run limitations on the supply of capital need not necessarily impair the program since, in its early stages, capital investment will not be the primary requisite. The provision of technical assistance involves little cash outlay in relation to benefits reaped. This circumstance is of importance in a world of dollar scarcity and foreign exchange controls. Technical assistance can be imported easily without disturbing the delicate balance of payments. Moreover, local contributions can be in kind or in local funds. In the first instance the danger of contributing to an inflationary situation is avoided, and in the second, the extent of local cooperation can be greater than

[8] Cf. Laure Metzger: *American Loans in the Postwar Period,* Foundation Pamphlet No. 4, Foundation for Foreign Affairs, 1948.
[9] International Bank for Reconstruction and Development, *Third Annual Report, 1947-48,* p. 20.

would be possible if reliance had to be placed upon limited foreign exchange resources. Nevertheless, if efforts are not to be restricted to training programs, to "surveys" and "missions," the importation of some producers' goods can hardly be avoided. The character and timing of such imports must be synchronized with the stage of progress brought about by the technicians.

To create the conditions under which a significant volume of foreign private funds will seek investment in underdeveloped areas is not a short run proposition. Fundamentally, the responsibility lies with the governments of the countries needing new capital. A basic condition is the removal of existing disabilities suffered by foreign investors and relief from the threat of retroactive discriminations. The United States has taken a leading part in drafting the Charter of the International Trade Organization under the terms of which members pledge themselves to provide "adequate security for existing and future investments," and not to take "unreasonable or unjustifiable action injurious to foreign investments within their territory." [10] This has no immediate application, however, as the Charter has yet to be ratified.

The possible ways in which the United States itself could encourage the volume of private foreign investment to rise above present low levels are being explored.[11] The limited form of convertibility guarantee provided in the Economic Cooperation Administration Act so far has not attracted any significant volume of additional private capital. Further direct action by the United States may be needed. For instance, the possibility of encouraging private investment abroad by tax incentives is being discussed. It has also been suggested that a government guarantee might be given which would eliminate risks peculiar to foreign investment (nationalization without adequate compensation, losses due to war or revolution, exchange depreciation, etc.) and place United States investors abroad on a par with investors in domestic US enterprises.

If it is true, as some evidence suggests, that United States investors do not appraise investment possibilities abroad by the standards they employ for domestic business, if they are accustomed to viewing for-

[10] *Department of State Bulletin*, "Questions and Answers on the Proposed International Trade Organization," Vol. XX, No. 497, January 9, 1949, p. 39.
[11] Wilfred Malenbaum, *America's Role in Economic Development Abroad*, Dept. of State Bulletin, XX, 508, March 27, 1949.

eign projects as "risky flyers" which can be permitted to absorb only a small proportion of their assets, then incentives of the usual variety will not suffice. Moreover, Government policy for the program specifically precludes rates of return on foreign investment high enough to be classed as "exploitation." If investors are prohibited from receiving profits of the order they consider necessary to induce them to take the risk of foreign investment, then public safeguards must be provided or private capital will not be forthcoming.

This is one of the thorniest problems raised by the Point IV program. To what extent should the United States Government interject itself between American investors and foreign borrowers? Should it assume responsibility for the enforcement of assurances and guarantees offered by foreign governments? How far can the United States go in the protection of the rights and property of American investors? And how far can the United States intervene in the internal affairs of other countries to create and maintain a climate favorable to investment of American capital?

Some Political Aspects

While economic in its implementation, Point IV admittedly has political origins and political objectives. The need to meet the "Russian problem" accounts for its timing and for much of the stimulus. This is not to deny that there would have been a place for a Point IV if the atmosphere of good will among the Allies had persisted and Communism had never embarked on aggression. This place, however, could have been satisfactorily filled by a long term undertaking, whereas present conditions put a premium on quick political results. Point IV is being interpreted both here and abroad as a challenge to the Soviet Union, and that country will make the most of any delays in planning and preparation. Tangible benefits must be produced or the peoples of undeveloped countries may yield to the Communist cry of "foreign exploitation" and swing out of the western orbit. From the point of view of the countries providing assistance, some tangible benefits also must be reaped or they will relax their efforts.

Even under very favorable conditions, Point IV cannot be expected to make an effective contribution to the containment of Communism in areas adjacent to Soviet territory. The need is for more immediate

results than can be expected under the program. Nonetheless, if international events afford the time which will inevitably be required for its implementation, Point IV, despite its limitations, may well prove of lasting political significance. In this respect, it will be appraised for its contribution to world-wide resistance to Communism and as a demonstration that the path to general economic well-being leads through capitalism and democracy, and not through political and economic totalitarianism.

POINT IV AND THE BACKWARD AREAS

by RAYFORD W. LOGAN

The importance of the backward areas in the global struggle between the United States and the Soviet Union was clearly revealed in President Truman's inaugural address. He laid down four cardinal principles of American foreign policy today. They are: (1) "unfaltering support" of the United Nations, (2) the economic recovery of western Europe, (3) the North Atlantic Pact, and what has come to be known as Point Four. This called for a "Bold New Program" through which the United States would help to improve conditions in the underdeveloped areas by making available technical skills and promoting the flow of private capital.

Although the underdeveloped countries described by President Truman were nowhere identified as colonies, it has been made clear that the program must include them. Assistant Secretary of State Willard Thorp specifically stated in his address to the Economic and Social Council to the United Nations on February 25, 1949 that colonial areas would be included. There remains, nonetheless, the basic question of the operation of the Bold New Program in colonial areas. Spokesmen for the State Department have repeatedly declared that aid would be extended only when requested. It is obvious that the dependent backward areas would not be permitted to request technical assistance or the investment of private capital. Such requests would therefore necessarily originate with the metropolitan country. Despite the fact that President Truman in his inaugural address insisted that there was no place for the old imperialistic exploitation in his Bold New Program, grave concern has been expressed by spokesmen in some of the dependent underdeveloped areas and by interested persons in the United States.

The question naturally arises, what participation in the Bold New Program should be formally allotted to the Native peoples of the dependent backward areas? One possibility would be associate membership in those specialized agencies of the United Nations that are expected to further the Bold New Program. At the Beirut Conference of UNESCO, 1948, the United States delegation proposed associate membership in that organization for non-self-governing territories. The resolution was not approved. It is not likely to be approved in the near future for it will require an amendment to the constitution of UNESCO.[1]

Since, however, the constitution of the World Health Organization does provide for associate membership for territories or groups of territories which are not responsible for the conduct of their international affairs, there is no constitutional reason why non-self-governing territories should not be granted even this limited participation in a specialized agency that should play an important role in the Bold New Program. It is likely, however, that the same political difficulties would be encountered as in the case of the proposed associate membership of non-self-governing territories in UNESCO.

Yet, unless some opportunity is provided for the peoples of the non-self-governing territories to express their wishes, it will be well-nigh impossible to convince them that the Bold New Program is not the old imperialism in a new guise.

Suspicion as to the ultimate purpose of Point Four is increased by the signing of the North Atlantic Treaty and by the negotiations for the settlement of the question of the former Italian colonies in Africa.[2] Further, the vacillation of the United States with respect to the "police action" of the Dutch in Indonesia must be attributed in part at least to the desire to keep the Netherlands in the North Atlantic Pact. Because of these facts the fear persists that most attention will be devoted to those underdeveloped areas that are of strategic importance to the United States and her North Atlantic allies. Liberia is a case in point. Not until World War II revealed the strategic

[1] When the writer raised the question at the Cleveland Conference of the United States National Commission of UNESCO whether any further steps were contemplated, Sir John Maud, permanent secretary of the Ministry of Education of the United Kingdom, gave assurance of the interest of his government in the subject. He pointed out, however, that the question of associate membership in UNESCO would raise the question of associate membership of non-self-governing territories in the United Nations. The implication was clear that such a proposal would encounter serious difficulties.

[2] Of the twelve signatories of the North Atlantic Treaty, six possess most of the dependent backward areas. The United States, the United Kingdom, Belgium, France, Netherlands, and Portugal rule over approximately nine-tenths of the dependent backward areas.

importance of Liberia did the government of the United States manifest any real interest in the development of the country.

The fear also persists that attention will be devoted primarily to the development of products that are important to the metropolitan countries. In Tanganyika, for example, the vast ground-nut, or peanut, development project is primarily for the benefit of the metropolitan country. It is true, of course, that the Native population would also benefit, especially if a reasonable wage scale were established. The fear that such development projects would be primarily for the benefit of the metropolitan countries is strengthened by the following passage in a bulletin, *Technical and Scientific Cooperation,* published by the Department of State, February, 1949: "The test in each case being whether the project furthered the aims of both the United States and the country involved." When this statement was brought to the attention of the State Department at a conference on Point Four, it was admitted that the statement was "inadvertent."

Another concern expressed by some persons who have lived in countries to which American experts have been sent in the past is based upon the attitude of some American experts. One of the most notorious examples is that of American experts who established a club in a neighboring republic which not even the president of the republic could enter. The writer of this article urged at a State Department meeting of representatives of organizations interested in American foreign policy that as much care be exercised in selecting experts possessed of the necessary skills in human relations as in technical skill.

It is too early to determine to what extent Point Four will be bold and whether it will be a program. Certainly it is not new. The idea of the responsibility of advanced nations for the welfare of backward peoples has been traced as far back as Francisco de Vitoria's *De Indis,* published in 1557. Edmund Burke in 1783 proposed the idea of trusteeship for India. Rudyard Kipling's "White Man's Burden," Secretary Philander C. Knox's "Dollar Diplomacy," the mandate system and the trusteeship system all contain the basic assumption of this responsibility.

The elaborate program of the Institute of Inter-American Affairs provides probably the best example of the practical application of technical assistance to independent backward areas. The following projects will give some idea of the nature and scope of this technical

assistance. American rubber experts are aiding experiments in Bolivia, Colombia, Costa Rica, the Dominican Republic, Guatemala, Haiti, Mexico, and Peru. An agricultural irrigation expert is cooperating in a project at Bogotá. Two experts from the United States Institute of Social Anthropology are cooperating in anthropological research in Bolivia, one in Colombia, two in Mexico, and one in Peru. Experts on labor standards are serving as consultants in Colombia, Cuba, Ecuador, and Mexico. Other experts are assisting in the fields of social insurance, geological surveys, various agricultural experiments, the effects on physical and mental activity of chewing cocoa leaves, and civil aviation.

For some of these projects there is available an adequate supply of technical skills. But as the inter-American program is expanded to include other parts of the world, there will soon develop the need for training more experts. In this connection it is interesting to note that for the first time a big American corporation, the General Electric Company, has given contracts to prospective graduates of the School of Engineering and Architecture at Howard University. Obviously no person possessed of the requisite technical skill and imbued with proper attitudes towards the people with whom he is to work should be deprived of the opportunity on account of race, sex, language or religion. Similarly, Native peoples of the dependent underdeveloped areas should not be denied opportunities for in-service training in American, British or other industries because of their race, sex, language or religion.

The governments of the United States, the United Kingdom, France, and the Netherlands have developed comparable experiences in health and sanitation, social welfare and education, trade agreements, labor conditions, labor organization and legislation, housing and town planning, distribution and movement of population, and the regional development of tourism in the Caribbean.

Despite the criticism that the government of the United States has moved more slowly in developing Point Four than it did in implementing the Marshall Plan, some progress has already been made. Within a week after the President's inaugural address, some twenty-five working groups distributed through different agencies of the government had begun to define the scope and objectives of Point Four. The Secretary of State was designated to supervise the program and Assistant Secretary of State Willard Thorp was given the responsi-

bility of executing it. Legislation is being drafted for the purpose of inaugurating the program. During the first year, perhaps only a few million dollars could be spent, partly because of the lack of adequate information on such basic questions as rainfall and climate.

Consideration has also been given to cooperation between the United States and other interested governments and between the United States, the United Nations and its specialized agencies. The Economic and Social Council is obviously the organ through which the United Nations can most effectively provide technical aid for the improvement of conditions in the underdeveloped areas. Assistant Secretary of State Thorp on February 25, 1949 offered a resolution proposing that the secretary-general of the United Nations prepare "a concrete program for enlarging the activities of the United Nations in the field of technical assistance for economic development." This resolution was approved with the request that the secretary-general prepare a report for the July session of the Economic and Social Council and of the specialized agencies.

The International Labor Organization, the Food and Agriculture Organization, UNESCO and the World Health Organization clearly should focus attention upon the underdeveloped areas. Especially significant are the recommendations laying down minimum standards of social policy in dependent territories adopted by the twenty-sixth session of the International Labor Conference in Philadelphia on May 12, 1944, and by the twenty-seventh session of the Conference in Paris on November 5, 1945. The Philadelphia Conference laid down the following recommendation as a guiding principle: "All possible steps shall be taken effectively to associate the peoples of the dependent territories in the framing and execution of measures of social progress, preferably through their own elected representatives where appropriate and possible." The Paris Conference invited consideration "of the possibility of providing for the admission to the Conference of representatives of the administration, organized employers and organized workers of dependent territories who have been appointed to accompany a delegation by the Government of a Member of the Organization and of taking other appropriate steps to promote the effective association of dependent territories in the work of the organization."

The Food and Agriculture Organization includes among its purposes the raising of levels of nutrition and standards of living, the

securing of improvements "in the efficiency of the production and distribution of all food and agricultural products," and the bettering of the conditions of rural populations. The accomplishment of these purposes would in some instances require emigration from densely populated areas to sparsely settled regions. But at the United Nations Conference on Food and Agriculture in Hot Springs, May 18 to June 3, 1943, restrictions on immigrants because of their race were candidly admitted. It is to be hoped, therefore, that nations which have maintained such restrictions will eliminate these restrictions so as to allow a reasonable number of persons from overpopulated areas to settle in sparsely populated regions.

UNESCO immediately realized its obligations with respect to Point Four. At the recently held conference of the U.S. National Commission for UNESCO this responsibility was clearly stated and accepted. Of the six areas of operation of UNESCO, fundamental education would have a major role. Interest in this area has also been expressed by the new secretary-general of UNESCO. Following the Beirut Conference of UNESCO the executive board marked out certain activities on which the organization should concentrate its main energies during the coming months. The first reason for giving preference to the selected projects was that they had "greater value as regards raising the standard of living of the ordinary people."

The preamble to the constitution of the World Health Organization declares that "health is a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity; . . . the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social condition." The functions of the organization include, among others, the rendering of technical assistance to governments and special groups; the promotion and conduct of research; the promotion of improved standards of teaching and training in the health field; and the development of international standards with respect to food, biological, pharmaceutical and similar products.

It is thus clear that Point Four embodies little that is new. It should also be evident that the successful implementation of the program will be determined in large measure by the extent to which individual governments promptly formulate their own program,

cooperate with other governments, with the United Nations and its specialized agencies.

There remains the basic question of the role of private capital in the execution of the program. It is this role of private capital that has aroused the greatest concern in some underdeveloped areas. The problem is not an easy one. Private capital is not going to be invested in underdeveloped areas unless there are reasonable guaranties that it will be protected from expropriation and that it will return a reasonable profit. Private investment for the sake of philanthropy is hardly to be envisaged. But what guaranties satisfactory to private investors can be assured that will not at the same time threaten the independence of the underdeveloped areas?

Regardless of all other considerations, the extent to which private capital will contribute to the improvement of underdeveloped areas will be determined by the real wages paid to Native workers. Whatever the reason may be, the wage scale of twenty-five cents a day paid to unskilled workers on a plantation in Liberia cannot contribute much to the improvement of that underdeveloped area. In the discussion of this project with a group of sympathetically interested persons, the writer was surprised to meet the "contentment" argument. That is to say, if the workers were satisfied, as many of them appeared to be, with their misery, why make them comfortable and unhappy? The argument is also being advanced that an increase in wages would, as one businessman put it, merely result in the Natives' spending more money on rum, cigarettes and women. The answer is, of course, that it is the responsibility of private capital to make available to the workers socially desirable goods.

Improvement of the underdeveloped areas should help to maintain prosperity in the developed areas. As President Truman pointed out in his press conference on Point Four, an increase in the standard of living in China by even one or two per cent would mean continued prosperity for the United States for the next one hundred years.

The ultimate goal of Point Four should be the acceleration of steps leading to the independence or self-government of those dependent underdeveloped areas whose economic and social development would be furthered by independence or self-government. Otherwise, Point Four will be justly stigmatized as a clever scheme for making imperialism more profitable than it has been in the past.

AUSTRALIA AND THE NEAR NORTH

by WERNER LEVI

Ever since the foundation of the first settlement in Australia, fear of aggression against the isolated, underpopulated continent has been the overwhelming obsession of Australians when they thought about their international position. Who the potential aggressor would be depended on the prevailing circumstances in world affairs, but Australians sensitivities never lacked one. Early last century it was France, then the United States and Russia, later it became Germany. Thereafter the millions—always "teeming"—in China, India, Indonesia or anywhere else in Southeastern Asia are playing the role. With the doubtful exception of Japan, none of these peoples have given any evidence of such far-reaching expansive ambitions. But that does not influence the worried Australians. They conceive of their largely arid country as a highly desirable area, and to many of them it is an axiom that the "yellow races" will seize the first opportunity to overrun the continent. This anxiety was responsible for the development of a permanent policy expressed in an editorial of the *Sydney Gazette,* August 24, 1827, forty years after the birth of the colony: "Foreign powers should be kept away from the 'innumerable isles that bespeck that ocean of which Australia is destined to hold the imperial sway,' and they should in no case be permitted to gain a foothold among the islands in Australia's neighborhood." This rather fanciful inclusion of the whole Pacific was more realistically reduced by statesmen to a request for British control over contiguous islands.

As the development of communications reduced the strategic advantage of space, Australians began to enlarge the regions which they considered vital for the nation's defense. Today the western and southern Pacific, the Indian Ocean and the Near East enter into the planning for an Australian defense system, and even the routes through the Mediterranean are occasionally mentioned.[1] The perennial problem is how to implement the claim for such a vast safety zone. Every Australian realizes that his country cannot do it alone, but he is much less clear about who should be relied upon for assistance and how much he should help himself. This dilemma has traditionally led to an uncertain and vacillating defense policy. Old

[1] Melbourne *Herald,* September 3, 1948.

habits and traditional thinking in the face of new conditions, the complexity of strategy in such vast regions and a national pride, reluctant to admit the inadequacy of local resources yet prone to design grandiose visions of the future, help to confuse the picture.

For a long time, Australians left the solution of the problem to the British Navy and taxpayer. They felt fairly secure in the conviction that both were doing well, although the uneasy thought never left them that a nearby aggressor might some day reach their shores ahead of the British Navy. Japan's victory over Russia in 1905 seemed to substantiate these apprehensions, and this event together with new nationalist and economic impulses led to the creation of an Australian Navy in 1909. Disagreement arose immediately with the British Admiralty over the control of Australian ships and the contribution they were to make to Empire defense. On the first point, the Admiralty stuck by its dogma of centralized control. On the second point, the Admiralty had expressed a definite viewpoint in 1857 which Winston Churchill, as First Lord of the Admiralty, redefined in a speech in March 1914: "The situation in the Pacific will be absolutely regulated by the decision in European waters." If a European power should defeat Great Britain, he argued, and desire a naval station or territorial expansion in the Pacific, Australia could prevent neither that nor Japanese ambitions in that direction. "If the power of Great Britain were shattered on the sea, the only course of the five millions of white men in the Pacific would be to seek the protection of the United States." His conclusion was, therefore, that the Australian ships should join the British Navy in European waters.[2]

Responsible Australians disagreed. Alluding to the Anglo-Japanese alliance and the Japanese victory of 1905, The Minister for Defense replied that alliances are uncertain and preparations must be made in good time. Besides, the major reason why Australians made the effort to have ships of their own was to have them nearby. And so, in peacetime, the Australian naval forces remained in the Pacific under Australian control and were supplemented by some British ships in the China Sea and Indian Ocean. After the Washington Conference of 1921 Australia retained a military organization and liaison with Great Britain; but, like all Dominions, she progressively disarmed over a period of 15 years in exchange for a British promise to construct a powerful base at Singapore to guarantee the safety of all

[2] Hansard, House of Commons, March 17, 1914.

British interests in the Pacific and Indian Oceans. Basically, the situation had reverted to the arrangements at the turn of the century: Australia relied once more on Great Britain for security, the Navy was the first line of defense and, in spite of occasional doubts, the nation felt safe. With the deterioration of the world situation in the 1930's, Australia resumed efforts to contribute a greater share for defense, but Singapore remained the pivot around which all planning turned. To Australians the great naval base was the symbol and reality of their security.

When Singapore fell early in the Second World War, Australia's sense of security collapsed with it. The approach of Japanese forces so close to the Australian coast seemed to justify all the fears Australians had entertained for 150 years. They were shocked out of apathy. They determined not to rely any longer upon Great Britain exclusively nor even necessarily to follow Great Britain's lead in either foreign policy or Empire defense. They refused to remain the "orphans of the Pacific" and at the "circumference of civilization." From now on they would insist upon the substance of their independence. "The war and our successful war effort will have converted Australia into a great nation," predicted Dr. Evatt in 1943. Under his vigorous and ambitious leadership, Australia made a bid for recognition in international councils and received it. To show that Australia resolved to become the master of her own fate, an agreement was concluded with New Zealand in 1944 in which the world was given notice of the new spirit prevading the two nations. In defending the Anzac Pact, Dr. Evatt stuffed his statements with phrases like "Australia has emerged from a prolonged period of national adolescence" and is now "an adult nation destined to play a principal part in the Pacific . . ." and "we must have a primary and principal responsibility in determining the future of the particular region in which we live." [3] The agreement was at the same time an indication that Australia would not trust blindly in the ability of any new world organization to guarantee peace, for it was designed as an insurance system for regional security if a global system for collective security should fail. The agreement was thus the outcome of Australia's new resolution to provide for her own security.

Following World War II the situation which now confronts Australia has changed in two important respects. The first is the reduc-

[3] Australia, *Parliamentary Debates,* House of Representatives, March 30, 1944.

tion of Great Britain to a second-rate military power. The British Government is anxious to rid itself of unnecessary obligations. Even the strengthening of the home defense was undertaken only recently and with great reluctance when the world situation appeared extremely threatening. The defense of overseas territories has been reduced to an absolute minimum. Even though Australians are fully aware of this, the habit of looking to England for security still makes them very sensitive to British defense decisions, which are receiving bigger headlines than those of the Australian Government. But the independent members of the Empire are forced to rely more and more upon their own resources. The vulnerability of Great Britain has, in fact, raised the question whether the roles should not be completely reversed and the Empire members provide for Great Britain's security. Along this line the suggestion is being made, and not altogether for altruistic reasons, that the Empire's population and industry should be "balanced" and "decentralized." Great Britain, one proposal ran, should send 20 million people and much of her industry and other war potential to the overseas members of the Empire.[4] All these plans are strictly one-way affairs, and one cannot quite suppress the suspicion that Great Britain is considered expendable.

The second major postwar change is the independence of more and more former colonial areas, especially those within Australia's safety zone. The additional loss of England's military position in Egypt, Palestine and Iraq, and her weakening control of the Suez canal expose, in Australian eyes, the "heart-line" of Imperial communications; a new route around Africa is not recognized as a substitute. The freedom for the three Asiatic members of the British Commonwealth and their uncertain attitude toward Great Britain is considered a further worsening of Australia's position and a stimulus for the discussion of new defense plans. The tendency is to look to the United States in the hope that America's growing strength in the Pacific will compensate for Britain's weakness. There is some criticism of the way in which the United States is building up her position, especially in regard to the trusteeships and the occupation policy in Japan, but with American protection of Australia as the overriding need, dissatisfaction remains in the background. The call of the *Sydney Morning Herald* for a Truman Doctrine in the Pacific

[4] *Australian Press Opinion on World Affairs,* Nos. 30, 33, 38, 44, 47.

expresses widespread feelings, and it is assumed that Canberra is working toward the creation of a "Pacific Alliance." The Government is attempting to cope with the developments through a new defense policy combined with an adjusted foreign policy.

Australia's security is to rest on the blending of three safeguards: the forces created for local defense, the forces supplied for cooperative action by the British Commonwealth and the forces placed at the disposal of the United Nations or some regional international organization. "The nature and extent of the provision to be made for defense will be influenced by the stage of development that has been reached in organizing a system of collective security and a scheme of British Commonwealth Defense, and the degree of reliance that can be placed on them," said the Minister for Defense in June 1947 when he outlined a five-year defense program for the nation. Since at that time full reliance could obviously be placed only on self-help, the national program was the most concrete the Minister proposed. A total amount of 250,000,000 pounds is to be spent at the rate of 50,000,000 annually. Of this 75,000,000 pounds, the largest share, is to go to the Navy. The Government justified this allotment by stating that "notwithstanding all the changes and developments in weapons, the British Commonwealth still remains a maritime Empire, dependent on sea power for its existence," and, more specifically, "Australia's experience in the recent war fully demonstrated the fundamental importance of seapower to our defense." The Army and the Air Force are to receive 62,000,000 pounds each, 33,500,000 pounds is earmarked for scientific research and the remainder will be distributed among various subsidiary defense departments.[5]

The plan was criticized by the Opposition and most of the Press. The Government was accused of being anachronistic and inadequate in its preparations and was especially attacked for its failure to introduce compulsory military training. The *Bulletin* on May 7, 1947, voicing typical opinion, claimed that the country was "wide open." A revolutionary army provided with tommy guns or a foreign enemy with a carrier or two and a couple of bomber squadrons could capture any Australian city with ease. This criticism is persisting because voluntary enlistments for the permanent forces as well as the larger Citizens Force are lagging behind estimates. In answer to the Opposition's somewhat unconstructive complaints the Govern-

[5] Australia, *Parliamentary Debates*, House of Representatives, June 4, 1947.

ment points out that Australia is better prepared today than she was in 1939. More fundamentally the Government explains that the defense plan is based on the assumption that there will be no war during the next few years at least. It would be futile for a country with limited resources to waste them on the maintenance of a defense force which would most likely be outdated by the time it would have to be used. The Government prefers, therefore, to use the meagre resources to maintain scientific research, keep abreast of modern developments and have a nucleus of well trained experts available in an emergency. In other words, the Government believes in saving reserves for a strong potential force rather than to exhaust the country for a possibly outmoded defense machinery, except in the case of weapons needing time for completion, such as warships. The Opposition called this derogatorily the "push-button-war-ideology" without, however, having anything better to propose. In the absence of the necessary wherewithal, nobody has yet been able to devise a scheme which could guarantee the security of a continent the size of the United States with 7 million inhabitants and at best an infant industry. The Government refuses to measure preparedness by the number of men in the armed forces alone, feeling that in modern wars generally and especially if Australia is to be a supply base, industrial capacity is as important as firing power. The need to develop both makes a careful distribution of manpower necessary and limits the size of the armed forces.

Underpopulation is obviously a key problem in Australian defense. The population dilemma has patterned Australian thinking on international affairs since 1788. To the demographic-minded Australians the population statistics look rather grim. At present, Australia has a population of about 7,750,000 people. From 1921 to 1933 the increase was 21.97 per cent, whereas between 1933 and 1947 it was only 14.34 per cent. Such figures are unsatisfactory to a nation which desires a minimum population of 20 million within the near future. This future looks the more disquieting as long run population trends are disadvantageous from the standpoint of growth. The proportion of old people is increasing rapidly. Childless marriages are increasing, and the number of children born in productive marriages is decreasing. The Minister for Immigration stated the situation bluntly and probably with undue pessimism in 1947: "Australia is slowly bleeding to death; unless the position improves we will be finished as a nation in

50 years." [6] This trend is doubly disturbing to Australians because it is reversed among the peoples living in what Australia considers her safety zone. The necessity and desirability of "whites" holding their own against the non-whites, has made immigration one of the most debated topics among Australians. Inspired largely by insecurity, these discussions are not always rational. Their *leitmotif* is defense needs and the realities of supply sources, with absorption capacity frequently overlooked.

The "White Australia" policy is the premise of all discussions, meaning different things to different people. The peoples of Asia, against whom the policy is primarily directed, agree in interpreting the policy as discriminatory on a racial basis. Pandit Nehru's remark last January that the "White Australia" policy was legitimate if based on a standard of living and not a racial plane was the exception to the rule and probably provoked by political reasons rather than conviction. For it is undeniable that at all times racialism has been an essential aspect of the policy among large sections of the Australian people. Slowly, other and slightly preferable motives for the policy have come to the front, such as avoidance of culture conflicts caused by the creation of minority groups, protection of living standards against the influx of cheap labor, preservation of jobs, houses and scarce commodities for Australians by excluding competitors. More and more criticism against the policy, at least on racial grounds, can be heard from the Churches, the left wing of the Labour Party and the Communists, and many journals contain articles exposing unscientific race theories. These anti-racial campaigns are not without effect. First hand acquaintance of many Australians with the surrounding peoples during the war may have contributed to this success. But racial terminology is still so prevalent and an undertone of racialism can be felt so strongly that one can only wonder in how many cases non-racial interpretations of the "White Australia" policy are either rationalizations of an irrational color bar or dictates of a good-neighbor policy. In any case, whatever the reasons for the policy, its effect is the same: Australia's doors are closed to Asiatic immigrants.

Until recently, these doors were also closed to immigrants from certain European countries, which made the non-racial explanation of the "White Australia" policy appear more convincing. But this

[6] *Australian Observer*, May 31, 1947.

situation has changed now. Many formerly excluded categories of immigrants are now admitted on the basis of the Government's ambitious immigration scheme. This scheme could be made acceptable to large sections of the population only by the Government playing upon traditional fears, severely limiting the types of immigrants and strictly defining the conditions of admission. On the first point, Australians, including their government, make it fairly clear that the immigrants' first duty is to be cannon fodder. Judging by editorials and official speeches security is the primary reason for admission.[7] A recent Australian cartoon illustrated aptly the second point: the headline was "Desirable Immigrants" and the sketch showed robots debarking from a ship in an Australian port. In the scale of values by which the acceptability of immigrants is measured, Anglo-Saxons come first. But like all other European nations, Great Britain is anxious to preserve and increase her own population and lends a most unwilling ear to the constant and sometimes rather fantastic Australian appeals for manpower. Australia finds herself reluctantly compelled, as some newspapers expressed it, to cast the net more widely and to take immigrants where they can be found. But, if the immigrant is not Anglo-Saxon, his origin and profession are very carefully scrutinized before he is declared desirable. The closer his native country is to Great Britain (the more "nordic" he is), the more acceptable he appears to be. Swedes, Norwegians, Dutch, Germans, and Balts are received with open arms. People from further east and south seem to have some mark against them which they must overcome by stronger occupational qualifications. Unfortunately for Australia, the most "desirable" people are the least likely to leave their countries. The floating population of Europe, temporary refugees living in camps provide the best reservoir from which Australia can obtain immigrants.

Since the end of the war, two phases of migration can be distinguished. Between August 1945 and the close of 1946 practically no immigrants arrived while about 30,000 people left Australia. These were Australian wives and children of Allied soldiers, refugees from areas overrun by the Japanese and citizens returning to Australian territories in the Pacific. Between the end of 1946 and March 1948 about 66,000 immigrants arrived and 29,000 left. The number of immigrants will be increased as soon as shipping can be made

[7] E.g. *Australian Weekly Review*, vol. II, nos. 45, 52.

available. The original target was 70,000 immigrants annually, but it has now been revised to 100,000, about 75 per cent of which are expected to be British citizens. By June 1950 the Government plans to have settled about 112,000 displaced persons.[8] The best that can be said for the present immigration policy is that it represents a relaxation of the most extreme aspects of the "White Australia" policy, that a more radical break with a tradition of this sort can perhaps hardly be expected and that Australia is doing its share to solve some of the immediate European population problems. Even on the assumption that all plans can be realized, Australian population changes are bound to remain insignificant from a strategic standpoint for many years to come, and to make up for this deficiency the Australian Government is a most ardent advocate of collective security, in the British Commonwealth as well as the United Nations.

Canberra is constantly arguing for a strong Empire defense scheme and appears willing to assume the financial and political consequences. The large defense budget was justified and accepted on the grounds that the members of the Commonwealth must now carry a greater burden in Empire defense. The political consequences were accepted at the London conference of Prime Ministers in October 1948. At that time, Australia appears to have been the only member willing to commit herself on an Empire defense scheme at the risk of European involvements. Canada was cool, claiming to belong to the American defense sphere; India expressed interest in Asiatic problems only, and South Africa stressed regional defense needs. Again at this conference, as on previous occasions, Australia made a bid for Commonwealth leadership in Pacific and Far Eastern affairs. This ambition had developed partly as a result of World War II and partly from Australian dissatisfaction with British Far Eastern policy in general. Dr. Evatt expressed this attitude most sharply in 1947 when he said that "events both during and since the war have imposed additional responsibilities on Australia which concern the maintenance not only of her own, but the whole of the British Commonwealth position in South-East Asia and the Pacific," and that the "lessening of British influence as expressed in concrete terms of forces or economic interests is one thing, but any lessening of British interest, evidenced by failure to give South-East Asia and the Pacific their rightful place in British

[8] *Australian Weekly Review*, vol. II, nos. 42, 45, 48: Commonwealth Department of Information, *Australia in Facts and Figures*, No. 20.

political thinking, is a very different thing and should be guarded against." [9] However, Australia was practically rebuked. Great Britain and the other members of the Commonwealth replied that they would not give up the right to determine their Pacific interests or to defend them. Arrangements for Empire defense remain loose and flexible. Great Britain, Australia and New Zealand have common strategic planning and joint service representation and staffs with their defense departments. Only in regard to some atomic research proceeding in Australia and the use of testing grounds has decentralization of defense preparation taken place so far. Persistent rumors that the United States will also use Australian testing grounds for atomic weapon research have not been confirmed.

The theory behind the eagerness for a coordinated, close Commonwealth defense scheme envisages more than military necessity. It includes the concept of the British Commonwealth as a "third force" in world affairs. "If one speaks of 'powers'," said Dr. Evatt, "the British Commonwealth can be the third group of powers." [10] This possibility is generally accepted by Government and Opposition alike. But there are variations on the theme whose character depends either on traditional attitudes or individual judgments of American-Russian relations. The conservatives emphasize the British Commonwealth —sometimes in conjunction with western Europe and the Marshall plan and always with the United States—while minimizing or disregarding altogether the United Nations. Under the impact of events in southeastern Asia they are taking a very pronounced anti-Russian stand and appear willing to throw the weight of the "third force" to the American side. They consider the Government's attempt to formulate an independent Australian foreign policy sheer folly, mostly because Australia has no means to implement it. They write off Dr. Evatt's activities as meddling in the affairs of other countries or worse. They are resentful whenever Australian delegates to international organizations take an independent stand or, worst of all, side with Russia. A satellite role for Australia would be the logical consequence of their policy.

This attitude obliges the Government to keep perennially affirming that it has no intention of loosening Empire ties and no particular sympathy for Communism. The Government simply takes the view

[9] Australia, *Parliamentary Debates*, House of Representatives, June 6, 1947.
[10] *Ibid.*, April 8, 1948.

[redacted] East-West struggle is all white or all black. [redacted] policy are greatly disliked by Australians, [redacted] not convinced that Russia's intentions are [redacted] In April 1948, Dr. Evatt told the House of Representatives: "Having no clear evidence to the contrary and having during the last four years come to know some of Russia's greatest statesmen, I take the view that the Soviet Union's policy is directed toward self-protection and security against future attack. In my opinion, its desire is to develop its own economy and to improve the welfare of its peoples." [11] The result of this view is, of course, hope in the possibility of bringing the United States and the Soviet Union together by peaceful methods. The Government feels that the British Commonwealth and the United Nations are best qualified to perform this task. The Government and its followers stress the United Nations as much or more than the Commonwealth in the conviction that, although statistically the Commonwealth strength may equal that of the United States or Russia, it does not in fact because its resources are dispersed over the whole world. They argue that without the United Nations, Australia would be forced into the most undesirable position of having to attach herself to one of the two great power blocs.

Until recently, most of these discussions conveyed an impression of unreality and of proceeding for the benefit of internal politics. As long as conditions in southeastern Asia were controlled by friendly European powers, the character of Australian relations with the peoples of Asia was largely a matter of speculation. Few Australians tied themselves to a definite course of action. With changing conditions in Asia came a greater urgency to clarify Australia's policy in that region. Now, much to their embarrassment, one feels, Australians have to commit themselves and give a more concrete form to some of their dimly defined theories and vaguely felt sentiments.

They all agree on the desirability of good trade relations with Asia. But in regard to political relations a great diversity of opinion exists. The conservatives advocate, basically, maintenance of white domination to the last possible moment and, thereafter, strength to avoid the flooding of their continent by neighboring peoples. Their apprehensions increase with every step the colonial peoples are taking toward freedom, and they want to support the colonial powers in their

[11] *Ibid.* April 9, 1948.

attempts to maintain control. Australia, t
the British Empire and the white world "in
ples," "the handful of white people in a c
claim, assist on its own initiative the British
Dutch, "our nearest white neighbours" in the Dutch E
Frequently, the national freedom movements are mixed up with or completely ascribed to communist agitation. "The Communist plan is to fan hatred in Asia against Australia. The aim of the Communists is to make this country of ours an outpost of Soviet power in the Pacific," stated a conservative member of Parliament. Others feel that Australia is now in the frontline of the ideological war which is tearing the world apart. They all agree that the happenings in southeastern Asia are a "direct threat to our own country" and will "jeopardize our security." They accuse the Government of harboring sympathetic feelings toward the "rebels" in Asia and believe they have found the proof in the inactivity of the Government in regard to the communist-controlled dock workers who are boycotting shipments to Indonesia, in the anti-Dutch stand of Australia in the Security Council after the renewal of warfare in Indonesia, in the meagre Australian help to the British in Malaya and in the failure to prevent Australian communists from traveling to disturbed areas of southeastern Asia.[12] In regard to Indonesia, the *Sydney Morning Herald* exclaimed with disgust that "we find ourselves more nearly aligned with Russian policy than with that of our natural allies," and former Prime Minister W. M. Hughes said that the Dutch had as much right to be in Indonesia as Australians had to be in Australia; besides, he added, "I do not care two straws about the rights and wrongs in Indonesia. I do care about the safety of Australia. We should seek a pact between the white nations of the Pacific." [13]

A veritable outburst of fury occurred when the Government accepted Nehru's invitation to attend the Asia conference in January to discuss the Indonesian case. The Government's action was criticized on rational and irrational grounds. The conference was evading the United Nations, maintained the acting leader of the Opposition: He then said: "Anyhow, what would be the Prime Minister's object in attending this conference? Is he desirous of driving our only white neighbor, the Dutch, out of Indonesia, with all that this may mean

[12] *Ibid.*, April 14, September 2, 9, 23, 1948.
[13] *Sydney Morning Herald*, December 23, 30, 1948.

to a continuation of our White Australia policy? Is he desirous of aligning himself, and his Government, with the pro-Japanese puppet, the President of the Indonesian Republic . . .?" The *Sydney Morning Herald,* granting the right for regional arrangements under the United Nations Charter, opined that "Australia can have no possible place in the proceedings. We are not part of Asia, either geographically, economically, or culturally. What distortion of values and judgment has led us to take a prominent part in a gathering whose purpose is to hasten the elimination of European influence in Asia . . . we should refrain from identifying ourselves with doctrines which could some day be used to challenge our own security." [14] Most conservatives will not admit that a policy of friendship, which is bound to involve some antagonism against the Dutch, would pay, because in "the event of aggression from Asia towards Australia, the Indonesian support will be for whatever force comes out of Asia." [15]

There are counter-arguments. If Australia would support the Dutch, one of them runs, "we shall not only be branded as hypocrites, but we shall also make enemies of our coloured neighbors and drive the Indonesians into the arms of Communist-Russian imperialism, to whom they could turn for assistance if we and the rest of the Western world would desert them." Another is that Australia should be the intermediary between East and West: ". . . Powerful elements in India, Pakistan, and China draw their inspiration from the same philosophies of liberty and humanity that we do, and at present base on those principles their hopes for their peoples. Surely every principle of sound statesmanship should urge us to keep intimate touch with those nations, to act as interpreters between East and West. . ." [16]

The Government had accepted Nehru's invitation after contacts with London and Washington. It was felt that the Indian leader was the one man in Asia who could either lead the Asiatic peoples to cooperation with the West or crystallize their latent anti-European feelings and that it was therefore wise for Australia to participate in the conference. Furthermore, as the London *Times* pointed out, the participation of Australia and New Zealand (as an observer) made the meeting a truly regional gathering one rather than a more dangerous racial one. Canberra sent senior officers of the External Affairs Department rather than Cabinet members to the conference in order

[14] *Sydney Morning Herald,* January 5, 22, 1949.
[15] *Ibid.,* January 6, 1949.
[16] *Ibid.,* January 6, 10, 1949.

not to commit the Government. This step together with the mollifying influence which Australia exercised as a member of the drafting committee helped to appease some elements of the Opposition.

From the standpoint of *realpolitik* the Government's cautious policy seems reasonable, even if not the only possible course. Australia can hardly afford the luxury of absolute neutrality in southeastern Asiatic affairs, quite apart from the fact that such an attempt usually invites accusations of bias from both parties to a dispute. Support of the colonial powers merely because they are "white" seems unrealistic even if the aims of the "White Australia" defenders are accepted. The days of western domination over Asiatic peoples are obviously coming to an end. If this prediction should prove incorrect, Australia would still have nothing to fear from the colonial powers whatever her attitude now; if the Asiatic peoples do obtain their freedom, a bid for their friendship at this time seems to be indicated by consideration of self-interest.

CRISIS IN THE INTERNATIONAL LABOR MOVEMENT

by ADOLF STURMTHAL

I

The break-up of the international trade union movement which has been threatening since the Marshall Plan was announced has been consummated. The World Federation of Trade Unions (W.F.T.U.), born out of the war, will continue to exist, but it will represent only a fraction of the international labor movement, mainly that part willing to accept Communist leadership. The remainder has not yet found a definitive home, but efforts are under way to establish permanent connections among the trade unions of the Western world.

The Marshall Plan marks the beginning of the disintegration of the international labor movement, but this does not mean that the Marshall Plan was the cause and the split in the W.F.T.U. its effect. It is more correct to consider both—Marshall Plan and the break-up of the W.F.T.U.—as the results of a common cause, namely the increasing tension between East and West. Born out of the effort to cement the wartime alliance among Washington, London and Moscow, the W.F.T.U. has fallen victim to the rising antagonism among the great powers, a fact which is symbolic for the close connection between government policies and the activities of the labor organizations in so many countries. With this act, the division of our planet into two hostile worlds has made further progress.

The departure of the British, Dutch and C.I.O. representatives from the W.F.T.U. has opened up an era of flux for the international trade union movement. The rump World Federation of Trade Unions has resolved to continue its work. Its membership will consist of the national trade union centers in the Soviet Union and Eastern Europe and the Communist-controlled trade union federations of France and Italy; most of the small but potentially powerful labor unions in Asia and the colonial areas will continue to belong to the W.F.T.U.; so will the Communist-led unions of Latin America, which are combined in the C.T.A.L. under the leadership of Vicente Lombardo Toledano. The organizations that have left the W.F.T.U. have, for the time being, no similar firm association. Their international collaboration is being carried on mainly in three ways:

through the ERP Trade Union Advisory Committee; the Negotiating Committee on the International Trade Secretariats; and the Workers' Group of the International Labor Organization (I.L.O.). Each of these requires some explanation.

The consultative trade union Committee on the Marshall Plan consists of the representatives of trade unions in the European countries involved in the Marshall Plan and delegates of the A.F.L., the C.I.O. and the Railroad Brotherhoods. The Committee was set up at a conference of these trade unions in London in March, 1948, which was in itself the first sign of the impending split of the W.F.T.U.; for these separate deliberations of groups affiliated with the W.F.T.U. were the result of the latter's refusal to discuss the Marshall Plan and of the hardly concealed hostility of the W.F.T.U. staff and publications toward United States policy.

The Negotiating Committee of the International Trade Secretariats* is the result of a clause in the statutes of the W.F.T.U. providing for the incorporation of the trade secretariats into the W.F.T.U. The International Trade Secretariats (I.T.S.) are international associations of unions of the same industry. They are among the oldest international labor organizations in the world, some having come into being in the nineties of the last century. They thus antedated even the first beginnings (1901) of what was later to be the International Federation of Trade Unions (I.F.T.U.), the prewar international organization of national trade union centers. Altogether some twenty-six I.T.S. existed at some time or other. The two types of organization—one combining particular unions in different countries, the other national union federations—developed in full autonomy, the I.F.T.U. dealing with general trade union problems, the various I.T.S. with the particular issues relating to their different industries. An annual conference permitted the executive body of the I.F.T.U. and the secretaries of the various I.T.S. to discuss common problems and to ensure cooperation on the basis of full equality. In matters of finance and personnel in particular the I.T.S. were fully independent of the I.F.T.U. since each trade Secretariat levied its own dues upon its affiliated unions and freely elected its own officers.

This state of affairs was to be changed when, at the end of the war, the new W.F.T.U. was set up. The I.T.S. were to be merged

* It was transformed in March 1949 into a Permanent Coordinating Committee of nine members.

into a small number of Trade Departments and the latter to be integrated into the central organization of the W.F.T.U. In order to work out the details of this process, but also to give the I.T.S. greater bargaining power in dealing with the W.F.T.U., a Negotiating Committee of the I.T.S. was set up including the three largest trade secretariats, those of the Transport Workers, the Miners and the Metal Workers. For reasons which will emerge in a little while all these trade secretariats represented exclusively unions of non-Communist orientation and their Negotiating Committee is therefore a kind of international non-Communist trade union organization of a peculiar, but not altogether unmanageable nature.

The third organization in the field, the Workers' Group of the I.L.O., is not much more than a meeting-ground for union delegates from the countries affiliated with the International Labor Organization in Geneva. The I.L.O. is constituted on a tripartite basis, government, employers and unions each forming a section of the organization. The union delegates form the so-called Workers' Group, which meets as such during the I.L.O. conferences, elects its officers and prepares the strategy of the group. Such meetings offer union delegates from different countries an opportunity to get acquainted and exchange views. At times this opportunity has been of great value, *e.g.* between 1934 and 1937. During this period the I.L.O. was the main point of contact between the A.F.L. and the European unions after the U.S. joined the I.L.O. in 1934, but the A.F.L. remained separated from organic affiliation with the international trade union movement until 1937.

Few observers will doubt that the world labor movement is in a profound crisis and that new alignments are likely to develop in the near future. The trend of this development cannot be understood without reference to the past.

II

Two problems stand out in the history of the international trade union movement, that of the relationship between European and American unions and that of the cooperation between Western labor and that of the Soviet Union. While the two problems were separate up to the outbreak of the Second World War, they have been merged into one by the developments since 1945.

The A.F.L. joined the I.F.T.U. in 1909 after Samuel Gompers had spent some time in Europe and upon his return to the U.S. advocated affiliation. He did so without any undue illusions about the wide gap separating the thinking of American trade unionists from that of their colleagues across the Atlantic. While Gompers had slain the "Socialist dragon" within the ranks of American labor in the great struggle of the nineties, Socialists and revolutionary syndicalists were in full control of the trade unions in Europe and the I.F.T.U. was very largely under their influence. As a result, the marriage between the A.F.L. and the European unions was, from the outset, an unhappy one. The friction became even more intense when in the course of the First World War anti-war and internationalist sentiments came to the fore in the unions of a number of allied countries. Gompers considered these as pro-German maneuvers or, alternatively, as "fantastic and irrational" thoughts. Finally, when the I.F.T.U. was reorganized after World War I, the A.F.L. broke with the international trade union movement.

When it returned to it, in 1937, one of the motivating forces was the competition between the A.F.L. and the C.I.O. According to the statutes of the I.F.T.U. only one national trade union center from any one country could be affiliated, and by being admitted to the I.F.T.U. the A.F.L. effectively blocked the way to international recognition for its rival. Whether cooperation between the A.F.L. and the I.F.T.U. would have been less troubled by disagreements than in the past is uncertain. The test was never made, for the outbreak of the war in 1939 reduced international trade union activity to a minimum.

The twenties and thirties, when the A.F.L. kept apart from the bulk of the international labor movement, witnessed the complicated maneuvers and struggles surrounding the relationships between the world trade union movement and the labor organizations of the Soviet Union. Much of this has merely historical interest, but certain parts of the history are still relevant to present-day problems.

Most of the trade unions in Europe during the inter-war period were led by Socialists. Nevertheless it would not be correct to speak of political control of the unions. For in practically every case the unions and the Socialist party dealt one with another as allies of equal standing and the Party served union ends as often as the latter assisted the political organization. Referring to the consumers' co-

operatives as a third ally, labor leaders in Europe spoke of the "three pillars" of the movement or its three arms: political, industrial and cooperative. The rise of the Communist movement had considerable bearing upon this situation. According to Communist doctrine, the labor movement had to be run on the principles of "democratic centralism" and that implied in the last resort that the unions be controlled by the political organization. The trade union leaders thus resisted Communist efforts to enter the unions, not only in their capacity as Socialists, but also as unionists who wished to keep their organizations free of partisan control. The Communists, on the other hand, regarded the old union leadership as unsatisfactory and traitorous.

This conflict between Socialist and Communist trade union leaders was bound to affect the relations between the unions in Western Europe and those of Russia. Moscow, flushed by its early successes in its struggle against the Socialist parties, decided to follow up the foundation of the Communist International by the creation of a similar organization in the field of trade unionism. Having first favored the organization of a single international center in which both Communist parties and trade unions were to be united, the Communist leaders, giving in to the pressure of French Syndicalists, set up a separate Red International of Labor Unions (Profintern). Its core was formed by the Russian unions. Outside of the Soviet Union only small groups were affiliated with it, the largest being the French *Confédération Générale du Travail Unitaire* (Unified Trade Union Confederation).

For a number of years open war was being waged between the Profintern and the I.F.T.U. (which, after the location of its headquarters, was popularly labeled the Amsterdam International). This stage of open conflict was interrupted twice by major Communist efforts to affiliate the Profintern or—what amounted to almost the same—the Russian trade unions with the Amsterdam International. Between 1925 and 1927 the British trade union leaders, then headed by a left-wing group, cooperated with the Russians in an Anglo-Russian Trade Union Committee, which was intended to pave the way for the unification of the international labor movement. The failure of the British General Strike of 1926 and Moscow's sharp criticism of the British leadership set an end to the life of the Committee. During the Popular Front period, after the merger of the Communist-controlled trade union center in France

with the old non-partisan *Confédération Générale du Travail* the united organization sponsored a second move in favor of Russian affiliation with the I.F.T.U. This time the British were hostile and the A.F.L., which just had joined the I.F.T.U., powerfully supported the British opposition.

When the Second World War broke out, the I.F.T.U., reduced to its British and U.S. affiliates and a few minor union centers on the Continent, was alone in the field, with the C.I.O. on one hand and the Russian unions on the other hand in complete isolation. The course of the war, however, made it increasingly difficult for the British trade union leaders to resist popular pressure in favor of closer cooperation with the Russian labor organizations and the C.I.O. For a long period, the British labor leaders headed by Sir (now Lord) Walter Citrine endeavored first to unite all allied labor organizations in the I.F.T.U.; this was blocked by the refusal of the A.F.L. to sit with the "break-away" unions of the C.I.O., but even more to recognize the Russian unions as "free labor organizations" that could be admitted to membership in the I.F.T.U. During a second stage, the British carried on at the same time, but separately, cordial relations with the A.F.L.—through the I.F.T.U.—and with the Russians and the C.I.O., through separate committees. This diplomatic game could not long be maintained.

In February, 1945, upon invitation of the British Trade Union Congress, a World Labor Conference was held in which, for the first time, the Russians were present on the same footing as the delegates of all other countries. The A.F.L. was conspicuously absent. Its place was taken by the C.I.O. Out of this congress emerged, after a second meeting in Paris, in September, 1945, the new World Federation of Trade Unions (W.F.T.U.). It was a numerically powerful organization, claiming some 70 million members in all parts of the world. Compared with the old I.F.T.U. which had practically been restricted to Europe and a part of North America the new organization looked indeed far more impressive. Only one major labor organization, the A.F.L., remained outside its ranks. But the new organization carried in itself, from the outset, the germs of destruction.

The decisive organs of the W.F.T.U. were the General Council, the Executive Bureau and the Secretariat. As in most organizations of European inspiration it was the Secretary General rather

than the President who directed the day-to-day operations of the organization. In the Frenchman Louis Saillant the Communists found an excellent Secretary for their purposes. A non-Communist labor leader before the war, Saillant had become one of the leading men of the underground in France; whether he ever joined the Communist Party is unknown, but the fact remains that his former friends in the trade union movement describe him as a "traitor" and that he has followed in all important issues the line of the Communist Party. The Assistant Secretaries—one of whom represented the C.I.O.—were given no executive powers and were subordinated to Saillant. The presidency—which involved no day-to-day supervision—was given to the British. They elected to this position first Lord Citrine and, after he left the trade union movement, Arthur Deakin, General Secretary of the Transport and General Workers Union. In the General Council the Soviet Union was given five votes; the C.I.O., France, Great Britain, Italy, three each; Sweden and Czechoslovakia, two each, and all other countries, one each. With France, Italy and Czechoslovakia on the side of the Soviet Union, as against the C.I.O., Great Britain and Sweden, the Communist wing was in control.

There is no reason to believe that the British trade union leaders failed to understand what was happening. But they were powerless to prevent it, particularly since the absence of the A.F.L. and the doubtful attitude of the C.I.O. (who had then not yet turned against the Communists in its own house) considerably weakened the anti-Communist forces. It was clear, however, to some observers that the new organization would hardly be able to withstand the strains of diplomatic friction among the Great Powers.

Little is gained by a discussion of whether the Russian labor organizations are bona-fide trade unions—as they claim—or not—as the A.F.L. states. What matters is that even if they are accepted as such, their problems in a totally planned economy are essentially different from those confronting the A.F.L. or the British unions. As a result, the W.F.T.U. had few common trade union problems to deal with and little to offer in the way of common trade union action. Political issues formed its main body of interest and it was no accident that political issues finally forced the split. Not only the divergence of views on the Marshall Plan made the separation inevitable, but also the appearance of a non-Communist trade union center in

France, the *Force Ouvrière,* under Leon Jouhaux, and, to a lesser extent, the break in Italy between the Catholic trade unionists under Giulio Pastore and the Communist-controlled *Confederazione Generale degli Lavoratori Italiani.*

III

As heirs to the W.F.T.U., the Communists and pro-Communists who are now in undisputed control of the organization will carry with them a large number—though probably not all—of trade unions in colonial countries and in Latin America. Not only is the Marshall Plan hardly an issue of sufficient importance for them to induce them to break with the world organization, they also look toward the Soviet Union and the Chinese communists for assistance rather than toward Great Britain and, particularly, the U.S. It is true that few of these unions are stable and businesslike associations of the kind the A.F.L. has developed, but in the revolutionary processes through which Asia is passing, these groups are likely to be important centers of action.

The non-Communist unions will undoubtedly take steps to transform their manifold and loose associations into a more permanent federation. The Advisory Committee of the unions of the Marshall Plan countries could probably form the most obvious nucleus, if its recent activities had not been marred by outbreaks of ill-concealed jealousy between A.F.L. and C.I.O. The older U.S. organization, represented in Europe by Irving Brown and Henry Rutz, feels that its refusal to join the W.F.T.U. has been fully justified by the break-up of the organization and it claims, by implication rather than in so many words, the role of the American senior partner. But not only is the C.I.O. not willing to make such a concession, most of its European associates have found the C.I.O. more congenial than the unions of the A.F.L. with their stern commitment to "free private enterprise." Friction has arisen so far mainly over the election of a permanent Secretary of the Committee, with the A.F.L. sharply opposing the appointment of Walter Schevenels, a native of Belgium, former Secretary of the I.F.T.U. and later one of the Assistant Secretaries of the W.F.T.U.

The passage of time and a certain amount of good will may in the end settle this problem. Two more difficult problems will be those of more extensive cooperation with trade unions outside of the traditional

area of the pre-war I.F.T.U., and the relations between the unions in countries with a substantial measure of Socialism and those of relatively undiluted capitalism. The first problem is simply the ability of the non-Communist unions to find and hold associates among the unions overseas; the second is concerned with the degree of tolerance which the A.F.L. will have to produce regarding what Gompers called the "fantastic and irrational proposals" of the European trade unionists. It is perhaps not excessively optimistic to believe that, given peace for some time, a new non-Communist International Federation of Trade Unions will come into being and function with a fair degree of success.

IV

Less dramatic and conspicuous but no less consequential has been the evolution of the efforts to re-establish a Socialist International. In this field too, it is necessary to review briefly the events of the inter-war period.[1] The disintegration of the (Second) Socialist International and the bolshevist revolution in Russia combined to divide the international Socialist movement into three fairly distinct currents: a "Reformist" Right wing whose main elements were the British Labour Party, the German Social Democrat and the Scandinavian Socialists (Norway excepted); a "bolshevist" Left with the Russian Communist Party as its leader and various Communist organizations attached, particularly the powerful parties in France, Germany and Czechoslovakia; a "Marxian Center" with the Austrian Socialists as intellectual leaders and the French, Swiss and German Independent Social Democrats as the main groups. For a while, in the early twenties, each of the currents was represented by its own international organization. The Right Wing reformed the Second International, the Communists established the Third or Communist International while the center group founded the "International Two and a Half," to use its popular label, an international association devoted mainly to the task of building a united Socialist movement.

All attempts in this direction failed, however, and in 1923 the Second International and the "International Two and a Half" merged into the "Labor and Socialist International" (L.S.I.). Though steadfastly maintaining that its supreme desire was the re-establish-

[1] This brief review can only mark one or two trends. The history of the international labor movement during the inter-war period has not yet been fully explored.

ment of a united Socialist movement, *i.e.,* a merger of Socialist and Communists, the L.S.I. refused to accept any Communist proposals tending in that direction; according to the L.S.I. these proposals were simply Communist maneuvers designed to reveal the Socialists in the eyes of the working class as enemies of working class unity. This was probably a correct diagnosis of Moscow's intentions, but it was equally true that many of the Socialist parties no longer were willing to accept a merger with the Communists at any price.

This fact implied that the special part which the "Marxian Center" had intended to play, no longer was called for. There was no room for the "Socialism of synthesis" which Otto Bauer, the intellectual leader of the Marxian Center, had set out to develop, in which according to him, the "down-to-earth" philosophy of the Socialist Reformists could merge with the vision and the faith in the millenium of the Communists. Events since the end of the Second World War have confirmed this trend. The "Marxian Center" has in fact disappeared and with it the call for the unity of the working class, which twenty years ago still held out so tremendous an appeal. The division of the political branch of the international labor movement into two main currents, a Reformist and a Communist, has become permanent. There are no more intermediaries who would negotiate peace between them; the war of the two currents has become the main subject of European politics.

The disappearance of the independent Socialist parties in Eastern Europe has hastened this trend toward the polarization of the labor movement. Since the end of the war, the pressures to which they were exposed have created serious problems within the European Socialist movement. The Western Socialists felt that their comrades in countries occupied by the Russian army were not free to express their views, and that their attitudes were, voluntarily or owing to the coercion of the real masters of their countries, determined by Moscow's orders. The Easterners, on the other hand, believed that Western Europe's dependence upon the economic assistance of the United States prevented the Socialists of Western Europe from following a political course independent of Washington's requirements. Under the circumstances, the meetings of the European Socialists remained sterile. Thus, the Socialist Conference in Antwerp—November-December, 1947— was unable to do more than to state the

profound disagreements separating Eastern and Western Socialists. The resolution on the Marshall Plan stated:

> "The collaboration of sixteen countries represented at the Paris Conference (Marshall Plan Conference) is approved by the Socialists of most of those nations. At the same time the countries in Eastern Europe are engaged in increasing economic collaboration among themselves and this also is approved by the Socialist parties of Eastern Europe represented at this conference."

It will be noticed that the resolution refers to "the Socialists of most . . ." of the Western countries. The term "most" was required to express the stern opposition of the Italian Socialists under Pietro Nenni to the Marshall Plan. Since the conference in Antwerp a series of events has changed the situation. The Eastern Socialists have been absorbed by the respective Communist parties of their countries; the Italian Socialist movement has split into several groups of which the Leftist Socialist Party (Nenni) and the rightist Socialist Party of the Italian Workers under Giuseppe Saragat are the strongest, and the Nenni-Socialists have been expelled from the ranks of the European Socialist movement. As a result, COMISCO, the Committee of the International Socialist Conferences, gained in internal consistency, but shrank considerably in scope. It consists almost exclusively of Right Wing Socialists and is restricted to one half of Europe.

Surprisingly enough, the elimination of the opposition does not seem to have transformed COMISCO into a unified and active force in the field of international politics. The European Socialists have been satisfied with arranging more or less regular conferences during which they meet, exchange their views and obtain information. They have not shown any serious interest in developing a real Socialist International of the pre-war style. What this change would imply, can be seen from Article 3 of the statutes of the pre-war Labor and Socialist International:

> "The Labour and Socialist International can only become a reality if its decisions in all international questions are binding on its affiliated bodies. The resolutions of the International will therefore imply a self-imposed limitation of the autonomy of the affiliated organizations."

It is this kind of international discipline to which the Socialist parties of Western Europe are objecting. Their unwillingness to

accept it goes back to the last years preceding the outbreak of the Second World War and particularly the period when the demoralizing effects of the "non-intervention" policy in Spain and of the Munich "settlement" made themselves felt.[2] Instead of opposing a united front to the approaching attack of Hitler Germany, the different Socialist parties embarked upon widely divergent courses of action (or inaction), each hoping that it might somehow discover the miracle device by which it and its country might be spared. As a result, the foreign policies of the different Socialist parties ran the entire gamut from appeasement to neutrality to a search for collective action. Obviously no unifying formula could be found by the Socialist International for this divergence of views. The Socialist delegates at international meetings voted for one course of action, only to return home in order to pursue entirely different policies. In the end, they preferred the International to keep silent on major issues so as to spare them the embarrassment of such contradictions.

The memory of these difficult years is still alive in the minds of the European Socialist leaders. It prevents them from transforming their loose association into a disciplined international organization. Moreover, COMISCO, whose modest headquarters are in London, consists almost exclusively of European Socialist organizations West of the Trieste-Stettin line. Even within these boundaries, it shows two important weak spots: Italy and France. In these two countries, the Communist parties are considerably stronger than the Socialists and, what is perhaps even more important, the Communists are in control of the bulk of the trade unions. If COMISCO is to be able to carry on effective action on the European level, it is imperative that the Socialist movement in France and Italy be strengthened and that it force its Communist competitors out of their controlling positions in the labor movements of these countries.

V

Communist organization, both in the field of political action and in that of labor proper, is at the present time unified and well coordinated. Excepting the grave problems raised by Tito, Communist organization is monolithic, as it was intended to be.

Compared with it the Non-Communist Left is poorly organized and unable to throw its full weight into the scales of world politics.

[2] See Adolf Sturmthal, *The Tragedy of European Labor*, 1918-1939, New York, 1943.

To a certain extent this is the inevitable result of democratic principles of organization. A democratic body is always less effectively organized than a Communist organization which is in effect an army. But even admitting this, the non-Communist Left is undoubtedly in a state of more than normal disorganization. It will not reach stability before it has found itself, *i.e.,* before it has become fully aware of all the implications of its position in the new world that emerged out of World War II. The most immediate task facing the Non-Communist Left is thus one of ideological reorientation.

Dr. Adolf Sturmthal is a leading authority on international labor problems. He is at present Professor of Economics at Bard College.

BRITAIN'S ECONOMIC PROSPECTS*

by PAUL A. BARAN and MARY S. PAINTER

III. *The Balance Sheet*

To show adequately the nature of the difficulties currently confronting Great Britain, and to provide a vantage point for visualizing its longer run economic prospects, a somewhat more detailed analysis of the gap between national requirements and available resources than that given in the previous sections is in order.

1. *Available Resources*

For the satisfaction of the bulk of its national requirements a country must ordinarily rely on its current domestic production of goods and services.[1] While there are no foolproof measurements of total output, the regularly prepared government estimates may be regarded as sufficiently reliable indications of the magnitude, composition, and utilization of the national product and income. The British Government has released a series of White Papers presenting data on the national income and expenditure since 1938.[2] The statistics therein are, however, not fully comparable. Only certain components of total output are measured in 1938 prices, the deflation of others being eschewed.[3] However, the London *Economist* and other publications have attempted to fill this gap and to prepare national income and gross national product estimates for 1938, 1946, 1947, and 1948, expressed in 1938 sterling. Tables VIII and IX represent a consolidation of some of their results, supplemented by several adjustments and calculations by the present writers.

At first glance these statistics appear to draw a picture rather different from that suggested in the earlier part of this paper. Britain's gross national product (*i.e.* the total quantity of goods and services *domestically* produced) *measured in real terms* seems in every year after the war to have been not only not smaller than in 1938 but con-

* The first part of this article appeared in the April issue of *American Perspective*.

[1] The proportion of domestic output that must be exported to pay for necessary imports varies, of course, with the composition of that output.

[2] The latest National Income and Expenditure of the United Kingdom, Cmd 7649 was issued in April, 1949.

[3] This is by no means a reproach. The authors of the White Paper offer very weighty statistical reasons for their reluctance to evaluate such items as government expenditures, foreign borrowing, and capital formation, in sterling of 1938 purchasing power. Not only are there no adequate price statistics for this purpose, but the decision as to which price series to use would present an almost insoluble problem.

TABLE VIII

GROSS AVAILABLE RESOURCES AND THEIR UTILIZATION

(In millions of pounds)

	1938*	At current prices 1946	1947	1948
Personal consumption	4,288	6,739	7,465	8,004
Government expenditures	789	2,473	2,069	1,914
Gross capital expenditures at home	770	1,255	2,040	2,352
Gross available resources	5,847	10,467	11,574	12,270
Overseas disinvestment, loans, and grants	—70	—380	—630	—120
Gross national product, at market price	5,777	10,087	10,944	12,150
	1938*	At 1938 prices 1946	1947	1948
Personal consumption	4,288	4,292	4,450	4,400
Government expenditures	789	1,717	1,338	1,180
Gross capital expenditures at home	770	831	1,267	1,340
Gross available resources	5,847	6,840	7,055	6,920
As percentages of 1938	(100)	(117)	(121)	(118)
Overseas disinvestment, loans, and grants	—70	—252	—391	—50
Gross national product, at market price	5,777	6,588	6,664	6,870
As percentages of 1938	(100)	(114)	(115)	(119)

* It is arguable whether it would not be more appropriate to use 1937 rather than 1938 for comparison with the British 1946 and 1947 position. General business conditions in Britain were rather depressed in 1938 and industrial output was about 10 per cent lower than in 1937. The use of 1938 instead of, say, 1937 as a point of reference consequently exaggerates somewhat the current performance of the British economy. Since, however, 1938 was used in all official British publications and comparable data for 1937 are not available, the former base year has had to be accepted here.

Sources: Figures in current prices: 1938 and 1946, *Records and Statistics Supplement to the Economist*, April 17, 1948; 1947 and 1948, *Economic Survey for 1949*, (Cmd. 7647).

Figures in 1938 prices: 1938 and 1946, *Records and Statistics*, op. cit. 1947; the ratio between the 1947 data in current prices and 1938 prices given in *Records and Statistics*, op. cit., was applied to the revised figures for 1947 in current prices from the *Economic Survey for 1949;* 1948: based on the ratio of 1948 prices to 1938 prices for consumption, overseas disinvestment and gross national product given in Dudley Seers, "The National Income in 1948," *Financial Times*, February 28, 1948. The estimates of gross capital formation and government expenditures in 1938 prices were made by the present authors.

siderably larger. Even without borrowings abroad (and/or the liquidation of foreign assets) Britain would appear to have had in the first three postwar years more disposable resources than in 1938.

The suspicion is warranted, however, that a large part of this increase is a mirage due to the inadequacy of the statistical material as well as to the intricacies of the method of estimating the national

TABLE IX
GROSS AVAILABLE RESOURCES AND THEIR UTILIZATION *

(As per cent of gross national product in current prices)

	1938	1946	1947	1948
Personal consumption	74.2	66.8	68.2	65.9
Government expenditures	13.7	24.5	18.9	15.8
Gross capital expenditures at home	13.3	12.4	18.6	19.4
Gross available resources	101.2	103.8	105.8	101.0
Overseas disinvestment, loans, and grants	—1.2	—3.8	—5.8	—1.0
Gross national product, at market price	100.0	100.0	100.0	100.0

* Totals may not add due to rounding.
For sources, see Table I.

income and product. The former shortcoming can be held responsible for exaggerating the gross national product of the postwar years mainly through errors in the revaluation at 1938 prices of goods and services purchased by the government and the public. These errors would consist of underestimating the price increases that took place between 1938 and 1946, 1947, and 1948, and of ignoring quality deteriorations that reduced the durability and usefulness of goods obtainable at the quoted prices.[4] According to calculations made by Mr. Harrod, as much as one half of the reported gross national product increase in 1946 and 1947 may have been due to this bias in the statistical material.

There are additional reasons for refusing to accept the increases of gross national product in the first two postwar years at their face value. Industrial production in the United Kingdom in 1946 was 96 per cent of 1938; in 1947 it was 104 per cent of that year.[5] Agricultural output, according to the United Nations Economic Commission for Europe, in 1945/46, as well as 1946/47, was 106 per cent of the average for 1935-1938.[6] In the light of official British statistics, this may even overstate somewhat the volume of agricultural production in 1947—a particularly poor crop year.[7]

[4] For a full discussion of this point cf. R. F. Harrod, "The Fall in Consumption," and G.D.N. Worswick, "The Fall in Consumption," in *Bulletin of the Oxford University*, Institute of Statistics, May and June 1948.
[5] T. Balogh, "Britain's Economic Problem," in *Quarterly Journal of Economics*, Vol. LXIII, February 1949, p. 40.
[6] United Nations Department of Economic Affairs, *A Survey of the Economic Situation and Prospects of Europe* (Myrdal Report). Geneva, 1948, p. 10.
[7] Cf. the data on quantities harvested and livestock held, in Central Statistical Office, *Monthly Digest of Statistics*, December 1948, pp. 76 ff.

An examination of manpower data also would tend to strengthen the doubts about the output increases in 1946 and 1947. Total civil employment in midyear 1946 was approximately equal to that in midyear 1938. It is quite unlikely that, in the midst of 1946 reconversion difficulties, the same number of men and women should have produced more than in the normal working environment of 1938. By midyear 1947 the employment figure had increased by about 7 per cent, still insufficient to account for a reported output 15 per cent larger than before the war.[8]

Finally it should be borne in mind that a considerable number of categories that are included in the national output estimates as "goods and services produced" represented in fact no addition to currently available supplies. Unfinished construction projects, repairs of all kinds, outlays on investment schemes that are to be completed only after a number of years all represent part of the nation's production effort, without contributing, however, to immediately disposable output. There can be no doubt that outlays of this kind assumed in 1946 and 1947 a larger proportion of the gross national product than in 1938.

Similarly a significant part of the services that constitute a sizeable segment of total national product actually represent *claims* upon available resources rather than means for satisfying national requirements. An increase in the military establishment, an expansion of civil service, or an addition to corporate bureaucracy would normally cause a rise in national income and product. Such a rise would not necessarily indicate, however, any enlargement of the total supply of goods and services indispensable for the maintenance of any given consumption and investment levels. An increase of total output could thus be fully compatible with an actual shrinkage of the volume of *essential* goods and services currently produced.[9]

Although there is no reliable estimate of the share of the British national product that is attributable to military and similar services, this share in 1946 and 1947 was much larger than in 1938. A large part of the reported increase of national output in these years is clearly explicable by this change in its composition.

[8] Total civil employment was 17,400 million in midyear, 1938 (*Studies in War Economics*, Oxford, 1947, p. 204); 17,415 million in June 1946, and 18,650 in midyear, 1947 (Central Statistical Office, op. cit. p. 3).

[9] Only if the total number of gainfully employed should increase, or if the productivity of those engaged in the production of essentials should improve sufficiently to offset the transfer of productive resources to services, could such a shrinkage of essential output be prevented.

Everything considered, it is reasonable to conclude that Britain's total domestic output of essential goods and services in the first two years after the war was at best slightly larger and possibly only about as large as in 1938. The reasons for the failure of British production to expand more rapidly are generally known and need only a brief recapitulation here. The difficulties of reconversion from war to peace, combined with shortage of equipment, materials and repair parts, and aggravated by exceptional adversities of climate, would have sufficed by themselves to slow down considerably the growth of output.

Faulty planning undoubtedly contributed its share by directing scarce resources to non-essential or possibly postponable uses. New housing, for instance, desirable as it undoubtedly was, was pushed far beyond the restoration of war damages. About 257,000 houses were destroyed by German bombardment of British cities.[10] But "some 460,000 homes have been provided [in the 2½ years] since the end of the war, a substantial contribution toward the 750,000 which were estimated at the end of the war to be required to enable a separate home to be offered to each family who wanted one.[11] Residential construction is, however, notoriously expensive, and much of the resources that were devoted to it could have been used for an accelerated expansion of essential plant and facilities. Many other projects were of an extravagant nature; while absorbing scarce materials and manpower, they contributed little or nothing to the needed rapid increase of productivity and output.[12]

Most important of all, however, was the extreme slowness with which the British government carried out the demobilization of the armed forces. In the middle of 1946 about 3.2 million men were directly or indirectly absorbed by the military establishment, and even by the middle of 1947 this drain on Britain's productive manpower was still as much as 2.2. million. T. Balogh estimated that "on the average the tardiness of demobilization cost the country in the two years some 1.5 million man-years, or some five per cent of national output." [13]

This list of errors in resource allocation that have seriously obstructed the expansion of essential production in the first two post-

[10] R. F. Harrod, *Are these Hardships Necessary?* London, 1947, p. 38.
[11] *Capital Investment in 1948*, December 1947, (Cmd. 7268).
[12] For examples cf. R. F. Harrod, op. cit. pp. 73 ff.
[13] op. cit. p. 41.

war years could be easily prolonged. They all stemmed from a failure to face the implications of the changed economic status of Great Britain, and all reflected the general complacency, caused by the initial reconversion successes, that prevailed in Great Britain until the coal crisis of 1947. The result was a relaxation, perhaps politically understandable but economically unwarranted, in the national effort to raise the level of productive employment and output.

Much changed in 1948. The difficulties of reconversion were on the whole overcome. The economy ceased to be "empty"; stocks of raw materials, intermediate goods and fuel gradually reached their normal volume. Machinery for repairs and replacement became available in more adequate supply. New equipment and improved techniques came into use. Productivity per man grew sharply. Although the mobilization of manpower for productive employment still left much to be desired (civil employment toward the end of 1948 at 19.2 million was only 2 per cent higher than at the end of 1947); total industrial output rose by 12 per cent above the 1947 level, reaching 116 per cent of 1938.[14] All branches of agricultural output also increased.

A large part of this improvement was undoubtedly achieved only because of what had been accomplished in the preceding years of reconversion. Of overriding importance was, however, the increased awareness on the part of the government and the public of the seriousness of the British economic position. Investment projects were scrutinized to eliminate outlays of relatively low priority and to free men and materials for essential production. ". . . . Work in progress was brought into proper relations with the rate at which it could be completed [and] a proper balance in all kinds of building work, together with an easement in the supply of building materials helped both to shorten the period of construction and to raise productivity in the building industry generally." [15]

The allocation of resources to housing was curtailed, and "the number of houses under construction in England and Wales was reduced while the number completed rose."[16] In the words of the London *Economist,* not normally given to enthusiasm about governmental regulations of economic affairs, ". . . . 1948 will stand as an

[14] These statistics are based on Central Statistical Office reports, the *Economic Survey for 1949* (Cmd. 7647), and T. Balogh, op. cit.
[15] *Economic Survey for 1949* (Cmd. 7647).
[16] Idem.

example of what can be achieved by economic planning . . ." [17]

It is of course true that some of the reservations concerning the accuracy of national income and product statistics apply also to the 1948 estimates. For 1948, however, all available evidence tends to support the impression of a large over-all increase in production. Whether this increase amounted actually to 19 per cent over 1938 in real terms, or whether it was somewhat smaller, is impossible to judge. Yet there can be no doubt that it was very substantial—so substantial indeed, that for the first time in many years Britain began to produce at home enough to meet its national requirements.

2. *National Requirements*

The concept of "national requirements," to be sure, is most uncertain. Yet it represents a stark reality that cannot possibly be neglected in any serious consideration of the problems that during the postwar period have confronted Great Britain and, for that matter, most other countries in the world. What it actually encompasses is the entire mode of life in the British Isles. As suggested earlier, almost one hundred years of British economic superiority have resulted in the evolution of a standard of living that has become part and parcel of British civilization.

While the events of the last four or five decades have gone a long way to whittle down the foundations of this relative well-being, they have have done nothing to reduce the British population's claims and aspirations. Indeed, the influence of two wars and of the political and social upheavals that have followed them, has actually been in the opposite direction. A decade of full employment—even if induced by armaments—has accustomed people to relatively high incomes. The war not only broadened their experience by bringing them in touch with superior standards of living but also acquainted them with modes of livelihood involving less toil, less sweat and less exertion.

The growing political consciousness of the people has created at the same time a strong awareness of the paramount power of political weapons. It has become abundantly clear to them that political pressure can be employed to attain economic ends, that problems of the distribution and redistribution of income can be handled more effectively by political action than by economic bargaining.

[17] March 19, 1949.

Thus, while the resources at the disposal of Britain for the satisfying of its growing demands have shrunk, the demands have become increasingly ambitious and in some respects irresistible. A lowering of living standards below a certain minimum becomes impossible if the existing social and political order is to be maintained. People will accept privations for the sake of victory in a war or to secure a better future for themselves or their children; they will refuse to desist from pressing for the satisfaction of immediate needs in the absence of some image of aim and end.

The Labor Government, swept into power by a wave of popular enthusiasm unprecedented in recent British history, could have offered the British nation a bold and imaginative plan of reconstruction. Elected on the basis of an explicitly Socialist program,[18] the Labor Party could perhaps have persuaded the British people of the necessity for major sacrifices if their Socialist purpose was to be accomplished. Yet this was neither the policy nor the spirit of the administration that was installed in the autumn of 1945. Preoccupied with the immediate needs of the hour, anxious to lift living standards as rapidly as possible from the low level to which they had fallen during the war, the government proceeded almost immediately to "loosen the belt." As Table VIII shows, "real" civilian consumption in 1946 and in the better part of 1947 would seem to have recovered to the 1938 level and in some items (alcoholic beverages, tobacco, entertainment and travel) even to have exceeded it.[19] While much of this increase in consumption was deliberately permitted by the government through relaxation of wartime controls, the raising of rations, etc., a considerable part of it was due also to the government's failure to cope effectively with the pressure of pent-up demand. Backed up by large savings accumulated during the war and by high current money incomes, this demand found outlets wherever controls were deficient. Deficit spending on the part of the government, along with its cheap money policy contributed to the expansion of credit, gave rise to large capital gains in the hands of the public, adding further to the total amount of money chasing after scarce goods and services. While with

[18] "The Labor Party is a Socialist Party and proud of it. Its ultimate purpose at home is the establishment of the Socialist Commonwealth of Great Britain—free, democratic, efficient, progressive, public-spirited, its material resources organized in the service of the British people." *Let Us Face the Future*, Section 4.

[19] Great Britain, *National Income and Expenditure of the United Kingdom 1938 to 1946*, (Cmd. 7099), p. 15. The previously mentioned reservation concerning the quality of consumers' goods and services should be borne in mind, however. In addition, the increase of the British population by about 5 per cent as compared with prewar has to be considered in judging the consumption level.

the aid of strict and vigorous controls this inflated demand might have been more fully repressed and thus prevented from affecting the allocation and utilization of scarce resources, the weakening of controls undoubtedly caused some diversion of manpower and materials from high-priority purposes and some swelling of nonessential consumption.[20]

At the same time, the necessity of repairing war damage and of replenishing inventories badly depleted during the war, as well as the extraordinary wartime wear and tear of productive facilities, have greatly increased the replacement needs of the British economy. According to some calculations, indeed, they fully absorbed the gross productive investment (*i.e.*, gross capital formation, excluding residential construction and inventories), which was larger on the average in 1946 and 1947 than in 1938. In other words, net productive investment in those two years was nil,[21] and the pressing demand for the additional plant and equipment that were indispensable for an increase of total output remained unsatisfied.

Yet the most important single factor responsible for the expansion of Britain's total requirements above the prewar level was the spectacular increase of the government's claims on the nation's material and human resources. As can be seen from Tables VIII and IX the quantity of goods and services acquired by the government in 1946 and 1947 was nearly twice as large as it would have been at the 1938 rate. Manpower statistics tell the same story: the number of men serving the government in civilian and military capacity was in 1938 slightly less than 2 million while in 1946 it reached over 4.1 million, declining in 1947 only to about 3.5 million.

With the information available it is hardly possible to apportion exactly this government share among its various uses. The manpower distribution suggests, however, that the bulk of the increase over prewar is due to the expansion of military services and much less importantly to the swelling of the civilian personnel administering the various controls. The opinion frequently encountered in the press and even in learned discussions, that the enlargement of social services and the

[20] Although there is no way of measuring the magnitude of waste that may have been caused by the insufficient repression of inflation, it would seem that the publicity that this aspect of the British crisis has received is hardly warranted. Dislike of direct controls and distaste for the redistribution of real income that these controls helped to enforce apparently contributed more to the magnifying of this issue than to a dispassionate analysis of the harm done. It is rather arresting that the obvious solution—the strengthening and tightening of the controls—was hardly suggested by the numerous economists discussing this problem, with the notable exception of Thomas Balogh.

[21] Cf. "Re-equipment of Industry" in: *Times, London*, October 15, 1948.

drive toward a "welfare state" are mainly responsible for the boost in the government's share of total output, is based on a misunderstanding. Most of the social services represent transfers of income from the rich to the poor, and as such do *not* constitute an increase of national requirements.[22] Only the amounts spent by the government on *investment* in social services, on the building of schools, hospitals, etc., represent "exhaustive expenditures" withdrawing resources from other uses. These "exhaustive expenditures," however, did not increase very significantly compared with 1938, and still constitute a rather small part of the government's share of the nation's total product.

Thus, contrary to the widely held view, it was not the extravagance of domestic experiments, but rather the conservatism in the foreign and military policies of the Labor government that caused a significant increase in Britain's national requirements in the first two postwar years. The maintenance of a large military establishment at home, the persistence in more or less abortive attempts to hold the traditional power positions of the British Empire, and the resulting heavy commitments of money and manpower in the Far East, the Near East, Germany, Greece and elsewhere, caused a drain on British resources overshadowing in importance all other factors.

All this holds, with minor amendments, also for 1948. Large as were the changes with respect to domestic production, requirements in 1948 were only a little smaller than in 1946 and 1947. The disinflation policy of the government, by reducing excess purchasing power in the hands of the public, yielded important fruits. Measured at 1938 prices, total consumption in 1948 was 50 million pounds lower than in 1947. Gross capital formation during 1948 increased by 75 million pounds over 1947 (in 1938 prices) and was about twice as large as before the war. Some further demobilization of military personnel, the withdrawal from Greece, the shifting of German occupation costs to the United States and other cuts in military commitments abroad reduced the government's claims on total resources by about 160 million pounds of 1938 purchasing power. The total reduction of national requirements as compared with 1947 was thus

[22] Only to the extent that a part of the transferred amounts might have been saved by the rich rather than spent by the poor could the transfers cause an actual reallocation of resources that would increase consumption at the expense of capital formation. Under British conditions, however, where total consumption is circumscribed by direct controls (rationing, import restrictions, etc.) this aspect could not have been very important. More serious may have been the "disincentive" effect of the high taxation required to carry out the transfer payments.

about 125 million pounds (at 1938 prices). They were still over a billion 1938 pounds larger than before the war.

3. *The Gap*

It might appear that the preceding discussion of postwar consumption, capital formation and government outlays flagrantly contradicts previous comments about Britain's industrial and agricultural output in 1946 and 1947. It may seem that if this output in 1946 was merely at 1938 level, and in 1947 only 7 to 8 per cent higher, the availabilities for consumption, investment and the government could not possibly have been as large as the statistics in terms of 1938 prices suggest.

The answer to this puzzle is twofold. As mentioned above, a part of this discrepancy is due to the inadequacy of available statistical information, in particular the highly tenuous character of the estimates of output and its utilization *in real terms.* It is very difficult to estimate accurately that portion of the gap between available resources and national requirements that was due in 1946 and 1947 to the changes in the composition and quality of Britain's domestic output. If the data on national product and its utilization in terms of 1938 prices presented in Table VIII are to be trusted, Britain used in 1946 for consumption, investment and the government 993 million pounds of 1938 purchasing power *more* than in 1938. This increase is accounted for by a 811-million 1938-pounds rise of domestic output and 182 million 1938 pounds' worth of additional supplies received from abroad. Since total output of industry, agriculture, construction etc. in 1946 was hardly larger than in 1938, the 811 million 1938-pounds expansion of gross national product must have been the result of insufficient allowances for quality deterioration, as well as of the growth of military and civilian services; it clearly did not represent an increased quantity of such goods and services as were required for consumption, the rehabilitation of industry or the replenishing of inventories.

The position improved somewhat in 1947. In that year consumption, investment and the government absorbed 1208 million 1938-pounds more of resources than in 1938, of which 887 million are reported to have been provided by higher domestic production. Yet in 1947 the output of the British economy increased by probably no more than 7 to 8 per cent as compared with 1938, *i.e.* by about 400 million 1938-pounds. Thus, only about 500 million 1938-pounds

of the reported increase in the gross national product in 1947 are to be attributed to quality deterioration, to a larger volume of military and civilian services. Finally, in 1948 when production had actually made major strides, most of the increase in gross national product was due to larger output in industry, agriculture and construction.

A clear understanding of this difference between the structure and quality of Britain's domestic output before and after the war is essential for an adequate appreciation of Britain's internal and external economic position. The output of goods and services necessary for the maintenance of the health and efficiency of Britain's population or for the reconstruction of its economy in 1946 and 1947 was about equal to or only a little larger than in 1938. In 1938, however, that output had to satisfy the normal demand for consumer goods on the part of only 17.8 million gainfully employed and their families,[23] in addition to the usual, if then somewhat depressed, demand for investment goods on the part of a normally functioning economy. In 1946 and 1947, on the other hand, the number of gainfully employed was 19.4 and over 20 million respectively. Their incomes constituted an increase of the total national product; their services, however, contributed little or nothing to what consumers, starved for goods, sought to buy, or in what industry, starved for raw materials and equipment, was anxious to invest.

It is this glaring discrepancy between the structures of expanded requirements and reduced or only slightly increased supplies that has been at the bottom of the stresses and strains plaguing the British postwar economy. It has been obvious to any observer of the British scene, however hidden by the veil of statistics.

Thus a large part of the gap remained actually unfilled, while the remainder was taken care of by vastly expanded foreign supplies.

Even in 1938 Britain's national requirements considerably exceeded its current output. As can be seen from Table X, the deficit amounted to 317 million pounds or nearly 40 per cent of Britain's total imports. The bulk of this deficiency was covered by receipts of interest, profits and dividends from Britain's foreign investments; the balance was met by a liquidation of foreign assets to the extent of 70 million pounds. "The position revealed by these figures was not particularly creditable; it is not a healthy sign for a mature economy

[23] The consumption of the unemployed has to be taken into account, to be sure, but the effective demand of the unemployed must have been very low.

to show a deficit in its annual accounts. But the deficit . . . was small; it was less than 10 per cent of the gross turnover and less than 2 per cent of the total overseas capital of the country.[24]

These comforting considerations do not apply, however, to the postwar years. With employment and effective demand on the part of the consumers and the economy much larger than in 1938, Great Britain imported in 1946 only 68.3 per cent in physical volume of what it purchased abroad in 1938. Although exports in 1946 reached approximately their 1938 volume, the deficit in terms of money value jumped to 536 million pounds, owing to a number of factors. In particular, prices of the food and raw materials that Britain imports, rose after the war more than the prices of the manufactured goods that Britain exports. But even if the prices had risen equally, its trade deficit would have increased since Britain buys more than it sells. Most important of all, however, was the fact that the foreign policy commitments of the government caused the government expenses abroad to multiply from 16 million pounds in 1938 to 295 million in 1946.

While the deficit thus increased by over 200 million pounds, compared with 1938, the means to offset it declined drastically. The revenue on account of interest, profits, and dividends, and "other earnings" sufficed in 1946 to cover no more than 30 per cent of what Britain owed abroad. The gap thus mounted to 380 million pounds.

The situation deteriorated further in 1947. The volume of imports was permitted to reach 77.7 per cent of 1938. Government expenditures abroad were still running at an annual rate of over 200 million pounds, and the terms of trade turned further against Britain. The deficit reached the staggering sum of 697 million pounds despite an increase in the volume of exports to 108.7 per cent of 1938, a disastrous development that was accentuated by a further drop in receipts of interest, profits, dividends and "other earnings" from abroad. Reduced to as little as 67 million pounds, these covered no more than 9 per cent of the total gap.

The advances on the production front in 1948 could not fail to improve Britain's foreign position as well. The over-all deficit was reduced from 697 million pounds in 1947 to only 312 million in 1948. This narrowing of the gap was made possible on the expenditure side

[24] *The Economist*, August 23, 1947, page 310.

TABLE X

UNITED KINGDOM CURRENT FOREIGN REQUIREMENTS AND RESOURCES

(In millions of current pounds)

Current foreign requirements	*1938*	*1946*	*1947*	*1948*	Second Half *1948*
Total imports (except films)	835	1,097	1,541	1,768	872
Volume index	(100.0)	(68.3)	(77.7)	(80.8)	(80.9)
Government expenses abroad	16	295	207	109	27
Film purchases abroad (net)	7	17	14	10	3
Travel expenses abroad (net)	12	33	59	35	23
Total	870	1,442	1,821	1,922	925
Current foreign resources					
Total exports	533	889	1,100	1,550	820
Volume index	(100.0)	(99.3)	(108.7)	(136.3)	(142.6)
Shipping	20	17	24	60	31
Total	553	906	1,124	1,610	851
Deficit	317	536	697	312	74
This deficit was met by:					
Revenue on account of:*					
Interest, profits and dividends	175	73	47	50	28
Other earnings** (net)	72	83	20	142	76
	247	156	67	192	104
By liquidation of assets or borrowing abroad	70	380	630	120	—30
	317	536	697	312	74

* The income from interest, profits, and dividends, and "other earnings" are added together separately because their magnitude would seem to be almost or entirely independent of Great Britain's *current* economic effort. They constitute a supplement to the foreign resources available to Great Britain that is relatively insensitive to price changes in the world markets and to physical productivity in the United Kingdom.

** This is a miscellaneous collection of receipts and payments. The principal components are the overseas transactions of British oil companies, insurance, expenses on the upkeep of British enterprises abroad, commissions, royalties and private remittances. It Also includes the offsets for items shown elsewhere in the table for which actual payments in cash have not been made or received, and an allowance for errors and omissions on current account.

SOURCES: *United Kingdom Balance of Payments, 1946 to 1948* (Cmd. 7648) and Central Statistical Office, *Monthly Digest of Statistics,* February 1949, p. 89.

by the holding of imports to about 81 per cent of 1938, and by a sharp cut in government outlays abroad.[25] On the revenue side there was a spectacular increase of exports by 36.3 per cent over the 1938 volume. Had imports in 1948 been permitted to return to the 1938 volume, their sterling value would have been about 2,190 million pounds, or about 420 million pounds higher than what it actually was

[25] Mainly expenditures in Greece and Germany, most of which were taken over by the United States.

in 1948. If exports had been only as large as in 1938, the receipts from them would have amounted to about 1,150 million pounds, or about 400 million pounds less than they actually yielded in 1948. Between the two the deficit would have been nearly one billion pounds larger.

A very significant improvement over 1946 and 1947 that was attained in 1948 was, moreover, the increase of foreign revenues that could be used to offset the deficit. While in 1946 receipts on account of interest, profits, and dividends, and "other earnings" took care of about 30 per cent of the deficit and in 1947 of only 9 per cent, in 1948 they covered over 60 per cent.

The over-all gap was thus only 120 million pounds, actually smaller than in 1938 if measured *in real terms.*

The differences between Britain's present position and that of 1938 are still, however, most important. Before the war the deficits could be readily met by some liquidation of Britain's holdings abroad. This possibility existed after the war to a much lesser extent. To be sure, Britain still owns perhaps as much as 3 billion pounds worth of foreign assets. The gold reserves, which amounted to 457 million pounds at the end of 1948, are also impressively high. Yet in keeping with its general policy of preserving as much as possible the country's traditional positions in the world, the British Government has managed to keep the reduction of investments abroad to the very minimum. Whenever possible, borrowing was substituted for the liquidation of British assets. This policy was continued after the war; out of the total "disinvestment" of 4,198 million pounds from September 1939 to June 1945 only 1,268 million represented actual sales of British holdings overseas, the balance being borrowed from other countries. In 1946 the deficit of 380 million pounds was met by a decrease of 53 million pounds in external assets, while 327 million pounds were covered by borrowing from the United States, and from Canada and other countries of the British Commonwealth. In 1947 the current deficit of 630 million pounds was more than met by 872 million pounds lent to Britain by the United States, the Commonwealth countries and the International Monetary Fund. In 1948 total borrowing from abroad (including ERP grants) amounted to 368 million pounds, 120 million pounds of which were used to meet the current deficit, while the balance served to increase Britain's external

assets by 37 million pounds [26] and to repay 211 million pounds of debts previously incurred.

The total amount of Britain's foreign borrowing since the end of the war thus reached the tremendous sum of 1,673 million pounds. Of this, 1,130 million covered the deficits on current account, 314 million were used to repay some of the debt to foreign countries [27] and 229 million went to an increase of Britain's external assets.[28]

This account of Britain's external position in the first three post-war years passes over the extraordinary difficulties faced by Britain in its dollar accounts. A large part of the supplies that were needed by Britain after the war were unobtainable anywhere except in the United States and Canada. Neither the United States nor Canada, however, were buying from Britain as much as Britain was importing from them. This was primarily due to Britain's inadequate domestic output and its resulting inability to export to the Western Hemisphere what the Western Hemisphere countries wanted to import. The dollar gap was thus larger than the over-all gap. The difference consisted of Britain's "unrequited" exports to other countries (in repayment of previously contracted debts), of partly involuntary British investments abroad, and of exports in exchange for which Britain had to accept payment in inconvertible currencies.

Even in 1948 when the over-all deficit was reduced to only 120 million pounds the dollar gap remained 423 million pounds. It had to be filled with the help of ERP grants, a gold loan from South Africa, drawings on Australian and Canadian credits, gold sales, and short-term borrowing from the International Monetary Fund.

Although relatively little damaged by the war itself, Britain has received the largest amount of foreign assistance during the postwar period. To the 3,750 million dollar loan from the United States and more than a billion dollars borrowed from Canada must be added loans and grants from South Africa, Australia, and New Zealand. Whether the most prudent use was made of this lavish help is a matter of judgment. Of the dollars spent for imports from the United States from July 15, 1946 to August 30, 1947 only about 15

[26] The total increase of British foreign assets in 1948 amounted to 92 million pounds. To the extent of 55 million pounds, it was offset, however, by a reduction of British gold reserves. Cf. *United Kingdom Balance of Payments 1946 to 1948* (No. 2), March 1949, (Cmd. 7648).

[27] The repayment policy of the British government was determined no less by politi[illegible] than by economic considerations.

[28] This figure should actually be increased by 155 million pounds' worth of gold [illegible] Britain in the years 1946 to 1948.

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per cent were allocated to purchases of machinery. Tobacco and films claimed just about the same amount.

Much of Britain's continuous need for foreign assistance is undoubtedly due to earlier mistakes. Yet this is largely past history. What matters at the present time is whether Britain can be expected on the basis of the 1948 performance to be able to close permanently the gap between its needs and its resources.

Russell in *Los Angeles Times.*

"ATLANTIC" PACT

"The Turkish people are understood to be resentful that Italy should receive precedence in the Atlantic Pact when she can hardly be considered an Atlantic nation any more than Turkey, unless the Mediterranean openly is admitted to be an extension of the Atlantic Ocean." (*New York Times,* May 1, 1949).

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AMERICAN PERSPECTIVE

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JUNE 1949

LIBERATION OF EASTERN EUROPE

ATLANTIC PACT HEARINGS

PHILOSOPHIES OF OUR TIME

BRITAIN'S ECONOMIC PROSPECTS

GERMAN SOCIAL DEMOCRACY

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IN THIS ISSUE

CONSTANTIN A. FOTITCH, former Yugoslav Ambassador to Washington and author of the book "The War We Lost", offers his program for the liberation of Eastern Europe from Soviet and communist control. It is, of course, possible to question the validity of some basic premises of the article and the practical value of the solution offered. However, one must respect the consistency of the views held by Mr. Fotitch who has steered clear of the expedients of the wartime and early postwar period which have marred the record of many non-communist Eastern European leaders now loudly beating the drums and calling for new crusades.

★

Current international difficulties are largely due to power rivalries but there are many points of difference which may be traced to a basic divergence of views on the relations between the state and the individual. Dr. HANS MEYERHOFF, who is at present teaching philosophy at the University of California, Los Angeles, passes in review the principal social philosophies of our time and attempts an evaluation of their merits and shortcomings.

THE LIBERATION OF EASTERN EUROPE

by CONSTANTIN A. FOTITCH

The principal political objective of President Roosevelt during World War II was to make sure that collaboration with the Soviets —established during the war in fighting the common enemy—would continue after the war for the maintenance of peace. President Roosevelt left aside all problems outstanding between the Allies and concentrated his efforts on the establishment of a strong organization of United Nations. He believed that he would dispel Soviet mistrust toward the Western World by bringing the USSR into the United Nations and offering her security in an international organization, thus eliminating the need for reliance on force and territorial expansion.

As a result of this policy more than one hundred million of freedom-loving and self-respecting Europeans from the Baltic down to the Adriatic have been sacrificed at Teheran, Yalta and Potsdam to alleged Soviet security needs. Thus an unprecedented situation in the history of Europe was created. Europe was artificially divided in two parts on the Stettin-Trieste line. East of that line the whole life of ten nations—independent states at the outbreak of World War II—is being organized according to the communist pattern regardless of their character, philosophy of life, social structure and traditions.

Europe, in spite of its many nations and state boundaries, forms a cultural and economic unit and this artificial division is being maintained only by the brutal force of imposed dictatorial regimes and their secret police, with the Soviet army in the background.

The Soviets and their satellites have established a barrier in order to prevent contact and communication between the enslaved nations and the Western World. These nations have been traditionally looking toward Western Europe for political and spiritual leadership. Russia's influence on their life was rather negligible in spite of her geographic proximity. Especially since the Bolsheviks have established themselves in power in Russia, their contact was limited only to the communist parties which in each of those countries represented a very small fraction of the political life. The Soviets and their puppets are sparing no effort to prevent any contact between themselves and the West—political, economic, or cultural—in order to integrate the satel-

lites within the Soviet political system. Those countries have been transformed into Soviet colonies which are exploited by methods unsurpassed even in the era of the darkest colonial days. This is especially true in the case of the former German satellites, Hungary, Rumania and Bulgaria, where a system of economic exploitation is organized through the so-called mixed commercial enterprises which assure for the Soviets control of the economic life of those countries. The economic life of other satellites is also effectively controlled by the Soviets who impose a careful secrecy on their trade agreements. For example, Stanislaw Mikolajczyk, as vice-premier of the Polish government, was not permitted to have access to the trade agreements of his country with the USSR. The prices paid in the exchange of goods are so grossly in favor of the Soviets that they have to be kept secret from all but the faithful. For this reason the Orbit countries have been prevented by the USSR from participating in the Marshall Plan in spite of the many obvious advantages participation would have brought them. The entire system now in force throughout the Orbit has been devised and applied with ruthless communist determination, until it met with a two-fold obstacle: the resistance of the masses—especially the peasant classes in those countries—and the American policy of resisting Soviet imperialism.

II

The Marshall Plan was the first serious blow to the ambitious projects of the USSR. It was an indication that the United States has finally realized the danger which the Russian imperialism represented for the U.S. themselves and has decided to take effective counter-measures. The Soviets reacted immediately by a determined opposition to the Plan, supported by violent propaganda and by orders to the satellites to refuse to participate. Czechoslovakia which, without previous consultation with the Kremlin, had accepted the invitation, was brutally rebuked, humiliated and forced to revise the unanimous decision of its government. Gottwald and Masaryk were summoned to Moscow where they received the order from Stalin personally. From a Czech participant at the meeting with Stalin in June 1947, I have the information that the Soviet dictator told the Czechoslovak leaders that their decision was detrimental to vital Soviet interests. The Soviet policy, Stalin told them was to bring the United States to withdraw from Europe altogether and thus

precipitate the economic depression in America. The Marshall Plan was, according to Stalin, a determined effort to consolidate America's position in Europe. Stalin expressed his astonishment that the Czechoslovak government had not realized the implication of the Marshall Plan and requested that the previous decision of the government be "corrected" without delay.

Since then the Russians policy has been to do everything to prevent the Marshall Plan from being a success, as proclaimed by the late Andrei Zhdanov in an article in *Pravda,* October 17, 1947.

The Atlantic Pact was a second manifestation of American determination to prevent further Soviet expansion. The Soviets were perfectly aware that the success of the Marshall Plan will bring the economic recovery of Western Europe while the Atlantic Pact with the rearmament program will mean the political stabilization of the same part of Europe. Their opposition to the Atlantic Pact, is not, as their propaganda claims, based on the fact that it is an instrument which must lead to war, or because the object of the Marshall Plan is to bring Europe under the control of "American monopolists and warmongers." They are rightly afraid that the effects of these two momentous steps will not be limited to the so-called Marshall Plan countries and the signatories of the Atlantic Pact, but will deeply effect the European countries under Soviet domination and give new courage to the nationalist elements in their resistance against the communist regimes. The Russians know that the success of the new American policy will give the subjugated countries new hopes that their loss of freedom is only temporary.

III

Europe cannot remain artificially divided. It will either fall entirely under Soviet domination or be free and unified into a democratic federation supported by the might of American democracy. The Soviets have failed in their broad scheme to bring Europe under their control. Now, having failed to force the United States to withdraw from the European continent, Moscow is concentrating its efforts on a consolidation of power in the countries behind the Iron Curtain. But internal opposition and resistance to their domination makes even this limited objective increasingly difficult to achieve in spite of dictatorial methods and the secret police. The peoples in the Orbit countries are making the life of their imposed despots more and more

difficult. Their social structure being mainly agrarian—with small landowners attached to the ownership of the soil which they are cultivating—these people are bitterly opposed to the policy of collectivization of their land as well as to the entire concept of the communist philosophy. Every day we have reports of increasing difficulties which the Soviet puppets and satellites are encountering in their policy of communization in Yugoslavia, Czechoslovakia, Hungary, Poland, Rumania, and recently in Bulgaria.

This opposition has been wrongly attributed to the feeling on national independence of the local communist leaders, who are striving to build a national communism in their countries. Nothing is more misleading than to consider them as "national communists." The two terms are contradictory. The dictators of these enslaved countries have not betrayed their communist allegiance and ideology to become nationalists. Being unable to crush the national opposition, they are trying to adapt their regimes and their policy of communization or "building socialism" to local conditions. Tito, for instance, did not start the conflict with the Cominform in order to defend the national independence of Yugoslavia. The policy of his regime toward the Soviets has been clearly defined in a statement made by Kardelj (the Number Two man of the regime, in charge of foreign affairs) to the Soviet Ambassador in Yugoslavia, Sadchikov, on June 5, 1945, to the effect that "he would like the Soviet Union to regard them [i.e. the Yugoslav communists] not as representatives of another country but as representatives of one of the future Soviet Republics," [1] Kardelj's statement is the best illustration of how non-Russian communists conceived their duties towards the Soviet Union and what was the real significance of their highly-publicized "struggle for the liberation of Yugoslavia" and other countries.

I doubt that the objectives of Tito's regime have changed or that he and his closest advisers have become overnight defenders of Yugoslav independence. Tito has encountered such resistance of the freedom-loving and democratically-minded peoples of Yugoslavia—and particularly the Serbs—that he had to revise his tactics and to adapt his policy to local conditions. This was the origin of his conflict with the Cominform which, as the time passes, grows in intensity. In the present international situation Moscow could not accept any temporization with the total communization of the satellites countries. Mos-

[1] See *The Soviet-Yugoslav Dispute*, Royal Institute of International Affairs, 1948, p. 38.

cow wanted to see those countries under full control of the communist parties. It was therefore important to eliminate all dangers which are still alive as long as the peasants have not been completely deprived of the property of their land and forced to become agricultural workers depending on the State.

Tito was aware that even the most ruthless methods of his secret police could not break the passive resistance which would have endangered the very existence of his regime. He chose to resist Moscow's pressure not because he betrayed his communist ideology—he accuses his Cominform enemies of the crime of deviation—but because he is, at least for the time being, beyond the reach of the MVD (successor of the ill-famed NKVD) and hopes to hold out somehow until the dispute is settled.

Similar, if less spectacular, difficulties are encountered by the Soviets in other satellite countries. Gomulka in Poland, Kostov in Bulgaria, have been purged for the crime of nationalist deviation, while in Hungary, Czechoslovakia and Rumania periodical reshuffling of the government indicates Soviet determination to bring them into complete subservience to Moscow. This is conclusive evidence of the instability of the puppet regimes and of the increasing difficulties they are meeting in trying to overcome the position of nationalist or, according to their official vocabulary, reactionary elements. The Soviet-imposed regimes, no matter what their label may be, have difficulties in maintaining themselves in power against the overwhelming majority of the people.

Those difficulties have become more pressing with the determined prosecution of the policy of economic recovery and political stabilization of Western Europe through the Marshall Plan and the Atlantic Pact supplemented by the rearmament of these countries. The so-much publicized Soviet "monolithic system" has already been seriously shaken and its structure reveals many holes. All the enslaved countries are looking to the United States to defend the principles and ideals which they in their great majority fully share, and on which the survival of Christian civilization and of the free world depends. The interest of the United States in Europe and its determination to oppose further Soviet expansion will give them new hope and courage to continue to resist their oppressors.

It would be an inexcusable mistake to pursue the mirage of collaboration with the Soviet Union and accept a compromise by which their

present conquests would be recognized and consolidated. By appropriate measures the forces of resistance could be further encouraged in their determination. It should, for instance, be made known to them that the United States is fully prepared to extend the advantages of the Marshall Plan to Eastern Europe once free government is restored there. It should also be stated to them that President Truman's program for the underdeveloped areas would also apply to the Danubian Basin under the same conditions. Such a program would no doubt contribute seriously to undermine the imposed despots and to bring to an inglorious end their totalitarian regimes. In this way Eastern Europe might be liberated by the forces within the countries even without a general conflagration.

While it is futile to hope for genuine collaboration with the USSR, it would be an even less excusable mistake to rely on the so-called "National Communists" like Tito, Kostov, Gomulka, or other communist heretics for the liberation of their countries from Soviet domination. In spite of their difficulties with the Kremlin, they remain resolute enemies of the Western World. They may make overtures to the West in order to get economic assistance, but this does in no way alter their basic attitude of hostility toward the democratic world.

In this cold war there may be some temporary truce as, for instance, the lifting of the blockade of Berlin, but the opposition of the two worlds must lead, in the not very distant future, to a general showdown resulting either in a shooting war or in the withdrawal of the Soviets from all countries west of their prewar frontiers. In either case it is important to keep alive and encourage the national forces of resistance. By their sustained pressure on the totalitarian regimes they may contribute greatly to a peaceful withdrawal of the Soviet Union. Should war come—and this eventuality cannot be entirely discounted—they will be a powerful "fifth column" of the democracies which will make the position of the Russians and their puppets untenable.

ATLANTIC PACT HEARINGS

by ROBERT A. FANGMEIER

The Atlantic Pact is admittedly the most radical departure from traditional American foreign policy. The following summary of the hearings on the Pact before the Senate Foreign Relations Committee is meant to provide a fuller picture of the problems touched upon in the testimony than is given in hasty and often warped newspaper dispatches, the only source of information for the majority of the American people in whose name such far-reaching commitments are made.

The Senate Foreign Relations Committee devoted to the hearings on the Atlantic Pact 16 working days and a total of 75 hours. The 101 witnesses gave over a half million words of testimony. Of those who appeared before the committee 42 were in favor of ratification, and 56 were opposed, with 3 not definitely recorded for or against.

The bare statistical data regarding the Pact hearings are, of course, no accurate barometer of public feeling about the proposed legislation. The majority of the witnesses testifying before the committee represented small segments of the public. They included organizations representing a membership of under 500 people. Many of the witnesses testified as individual citizens with no organizational backing.

The proponents of the Pact were led by Secretary of State Dean Acheson, followed by Secretary of Defense Johnson and Chief of Staff General Bradley. A host of other government officials backed the official line. Also supporting the Pact were veterans groups including the American Legion, Veterans of Foreign Wars, AMVETS, and the American Veterans Committee. The Pact had adherents among the followers of Clarence Streit's Federal Union and there were four representatives of the Atlantic Union Organization who spoke for the Pact as an instrument leading toward a federal union of the democracies. World Government groups were divided but tended to favor ratification.

Henry Wallace was the only "big name" witness opposing the ratification of the Pact. The Progressive Party also provided numerous witnesses from various states supporting Mr. Wallace's views. Representatives of religious groups provided the largest number of opposition witnesses. Testifying against ratification were the Women's Division of the Methodist Church, the Commission of World Order of the Methodist Church and the Friends Committee on National Legislation. The Fellowship of Reconciliation and the War Resisters League and several individuals represented the pacifist oppo-

tion to the Pact. A representative of the Communist Party was allowed to present a statement for the record.

Senator Tom Connally, as chairman of the Senate Foreign Relations Committee, conducted the hearings. The Chairman and all members of the Committee had made public statements in favor of the Pact before the hearings. This would have set the tone for the hearings if two "interlopers", Senators Forrest C. Donnell (Republican from Missouri) and James Watkins (Republican from Utah), had not requested the privilege of questioning witnesses. Both Senators were regarded as opponents of the Pact, although they had not publicly stated their position. They were not members of the Foreign Relations Committee but were permitted to attend the hearings and question witnesses when the regular committee members had finished their interrogation.

The presence of Senators Donnell and Watkins had a salutary effect upon the hearings since their critical questions highlighted important points in the interpretation of the Atlantic Pact. The thirteen regular committee members tended to ask questions of pro-Pact witnesses that supported their own views. It was only through the questions of the two critical Senators that the matter of the actual extent of American commitments was brought to light.

Although Senators Donnell and Watkins were allowed to participate in the hearings, the relationship between them and the Chairman, Senator Connally, was not cordial. On the first day of the hearings the Chairman charged that the Senator from Missouri and the Senator from Utah were there "to impede and obstruct and delay and hinder and filibuster . . . against the treaty." Senator Donnell "resented the use of such language," but similar exchanges between the impatient Chairman and the critical Senators continued throughout the hearings, creating an undercurrent of resentment.

The testimony before the committee revealed some unpublicized features of the Pact. Mr. John Foster Dulles and Mr. Ely Culbertson suggested that the most important reason for approving the treaty was that we were already committed to it. In other words even if the idea itself was not necessarily sound, one must go through with it because of the situation created by negotiations and publicity. Said Mr. Dulles:

> I do not think that the Pact in this particular form was perhaps imperative, although I think it was desirable. But you are not

now dealing with the situation as it was a year ago, before there was any discussion of a Pact. You are dealing with a situation where there is a Pact which has been heralded all around the world, which has been signed with solemnity by the representatives of twelve nations, so that those events have created a situation totally different from what the situation was a year ago. And one could have argued then the pros and cons of the Pact with much greater freedom than you can argue them today, because there is an accomplished fact of which we have to take cognizance, and if, in view of all that has now happened, there was a repudiation of this Pact by the Congress, that would reflect a point of view such that other nations would change their plans, and I think it quite likely that out of that would come a war.

Mr. Ely Culbertson, the bridge expert, and Chairman of the Citizens Committee for United Nations Reform, echoed the views of Mr. Dulles. He also said that the country had been presented with an accomplished fact instead of an opportunity to decide the case on its merits:

We favor the outright ratification of the North Atlantic Treaty. The gigantic propaganda machine of the State Department has left but little choice and little time for the country and the Congress in this matter.

While many of the luke-warm supporters of the Pact were saying that it must be approved because it was "already an accomplished fact," Henry Wallace and several church groups challenged the major thesis upon which the Pact rests. They said that Russia has no aggressive intentions and therefore the Pact was unnecessary, and quoted Pact advocates to support their position. Mr. Wallace told the Committee:

Every spokesman for the administration who appeared before this Committee insisted that the Pact is an essential measure of self-defense against Russian aggression. But none of them suggested that the Russians threaten or even intend to use armed force as an instrument of their national policy. On the contrary, the two principal Republican leaders of the bi-partisan foreign policy have given us the most explicit assurances that the contrary is true.

Speaking in Cleveland on March 9, John Foster Dulles told the Federal Council of Churches of Christ in America: "So far as it is humanly possible to judge, the Soviet Government does not contemplate the use of war as an instrument of its national policy.

"I do not know of any responsible high official, military or civilian in this government or any government, who believes that the Soviet state now plans conquest by military aggression."

Mr. Wallace then quoted Senator Vandenberg as saying: "War is the last implement they [the Russians] want to invoke." On the basis of this testimony Mr. Wallace concluded that:

. . . the warlike alliance implicit in the Atlantic Pact and the tremendous show of armed might with which it is proposed that the Pact shall be implemented is concededly not prompted by any military threat from the Russians.

A great deal of time was consumed during the Pact hearings in trying to establish the exact cost of the implementation program providing arms for Europe. Senator Donnell wanted to know if the $1,130,000,000 price tag actually meant only $1,130,000,000. He found out that it did not and that no one in authority was quite certain what the actual cost would be. The figure was, as the Senator's questioning established, only for servicing, rehabilitating and shipping surplus equipment of an unspecified value.

SENATOR DONNELL:...In an appropriation, we will say, of $1,000,000,000 to be used in rehabilitation there may be actually sent equipment which has been rehabilitated by the use of the $1,000,000,000 equipment which itself is worth many billion dollars. That is correct, is it not?

GENERAL BRADLEY: I would say the original cost of it might have been a great deal more. The present worth of it might not be anything in our own hands, but might be worth a great deal in somebody else's hands.

SENATOR DONNELL: I understand that. But the point I am getting at is that the mere figure in the appropriations bill does not at all, necessarily, indicate the original cost of the equipment which will be rehabiliated and sent over to Europe. I am correct in that, am I not?

GENERAL BRADLEY: That is correct, because certain items will be given to them, and the only money necessary in the way of appropriation is that necessary to rehabilitate that equipment and get it transported to the nation concerned.

The use of American manpower under the Pact was a question that will have to be answered in the future for it was not made sufficiently clear by the testimony. The discussion of the use of Ameri-

can manpower was encouraged by General Bradley's statement that American interests are in the center of Europe. In an Army Day speech General Bradley had indicated that Europe did not want to be liberated again but wanted to stop the aggressor so that liberation would not be necessary. He had quoted French Premier Queille's statement that "the next time you will be liberating a corpse." In view of the generally accepted belief that Russia could easily overrun Europe under present or contemplated defense arrangements, some Senators wanted to know whether additional American manpower would be required.

In his testimony General Bradley reiterated the views expressed in the Army Day speech:

> ". . . Plans for the common defense of the existing free world must provide for the security of Western Europe without abandoning these countries to the terrors of another enemy occupation. Only upon that premise can nations closest to the frontiers be expected to stake their fortunes with ours in the common defense . . ."

The implication of General Bradley's testimony for many people was that American troops would be needed to defend Europe along with the arms program. However, if the General took this point of view, he was not willing to make such a recommendation while the Pact, the arms proposals and Marshall Plan funds were still before the Congress. Senator Vandenberg questioned the General rather closely on the manpower question:

> SENATOR VANDENBERG: I am speaking about the self-help and mutual aid in this peace effort, and I am asking you whether our contemplated contribution does not exclude mass manpower at the beginning, before there is any fracas?
>
> GENERAL BRADLEY: I do not see that it excludes or includes. I do not see how it is involved at all.
>
> SENATOR VANDENBERG: Is it involved in your plans on the subject?
>
> GENERAL BRADLEY: No sir, in my opinion it is not involved.

Senator Watkins brought up the question of the arms limitation under the peace treaty with Italy. He wanted to know whether the arms proposals in connection with the Atlantic Pact did not violate

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the treaty with Italy. Again as was the case with many questions asked during the testimony, this question did not receive a clear "yes" or "no" answer. Here is an exchange between Senator Watkins and Ambassador Warren Austin which resulted from the Senator's question whether the arms program was a violation of the peace treaty with Italy:

AMBASSADOR AUSTIN: You have not asked me whether we do justify it, nor you have not asked me whether we have got to justify it. You have made an assumption, sir, that I have not testified to. Are you a lawyer?

SENATOR WATKINS: I do not care to get into any argument with you, Mr. Austin.

CHAIRMAN: I will volunteer the information that the Senator from Utah is a lawyer and he has been on the bench from his state.

SENATOR WATKINS: And I have asked many a lawyer the same question to explain his opinion and his judgment, and now you come here as an opinion witness, as I have understood, and I would like you to give me the benefit of your opinion.

AMBASSADOR AUSTIN: If you will ask me a question, sir, you will get a response. It may not be an answer that you like.

SENATOR WATKINS: I quite often do not get the answer I want, but nevertheless I ask questions.

AMBASSADOR AUSTIN: Let me have one that is a question and not a speech.

SENATOR WATKINS: I submit I have asked a question, and if you don't want to give me your opinion as to how we can justify that action, I will let it go at that.

AMBASSADOR AUSTIN: Who says we have to justify it?

SENATOR WATKINS: Maybe we haven't. Maybe we can go ahead and violate treaties. Do you think it would be a violation of the treaty to increase the armament of Italy?

AMBASSADOR AUSTIN: What treaty are you talking about?

SENATOR WATKINS: I thought I had made it clear: The treaty of peace between Italy and the other [?—Ed.] members of the United Nations, made at the conclusion of World War II, and it was ratified, as I remember, two years ago this spring.

AMBASSADOR AUSTIN: Now, sir, I do not know what the provision in that treaty is with respect to the limitation of armaments. But if there is a limitation of armaments in that

treaty, it does not constitute a barrier to carrying out the provision in this treaty here with relation to self-help and mutual aid. Is that an answer?

SENATOR WATKINS: That is your answer?

AMBASSADOR AUSTIN: I thought you would not like it.

SENATOR WATKINS: It does not give me very much information, I will admit, but if that is your answer we will let it go at that.

The place of Germany in the defense scheme of Western Europe was touched upon in the hearings by John Foster Dulles. Mr. Dulles expressed the view that Germany might be brought into the Pact at some future date. Such action, he pointed out, would win Germany for the West; it need not alienate the French since the United States would be a member of the alliance and would guarantee France protection against Germany as well as Russia. Mr. Dulles told the committee:

> The statesmanlike course is to provide the Germans with a decent and hopeful future within the orbit of the West. But again Germany would be too strong for the comfort and safety of our European allies, unless the West is strengthened by the adhesion of the United States. Germany can be brought into the West if that West includes the United States. They cannot safely be brought into the West if the West does not include the United States. The Atlantic Pact will superimpose upon the Brussels Pact another western unity that is bigger and stronger, so that it does not have to fear the inclusion of Germany.

During the question period after his prepared statement Mr. Dulles pointed out that Germany was again becoming the balancing force in Europe. The East and West are competing for Germany and the West must win if Communism is not to receive a tremendous psychological boost in Europe. Under questioning by Senator George he pointed out that the problem of Germany's admission to the Atlantic Pact ought not to come up for at least five years or more:

> . . . It is hard to say what might happen eventually. But the immediate problem in my opinion is, let us say, the inclusion of Germany in the Council of Europe, or in some other form of European unity that might be devised. I think that some action of that sort is absolutely essential if we are going to have peace in Europe and, indeed, if we are going to save the free institutions of Europe, because Germany is in a remarkably strong bargaining

position between the East and the West. And if Germany should decide to throw in their lot temporarily, at least, with the Soviet Union, there would be nothing left on the continent of Europe that we could hold. The very psychological effect of that would give the Communist parties in France and Belgium and so forth such influence that they would probably almost automatically take over.

Therefore, it is absolutely vital that we find a place for Germany which will be reasonably satisfactory and hopeful for Germany within, as I say, the orbit of the West, and not drive Germany into the arms of the Soviet Union, which could be a process which would wipe out everything we have done under the European Recovery Plan, not to speak of what we did in the last war. We would lose Europe if that happened. Therefore we must find a place for Germany.

Almost all of the 101 witnesses who appeared before the Senate Foreign Relations Committee related their testimony to the effect the Atlantic Pact would have on the United Nations. During the hearings it was revealed that the State Department no longer based the Pact on Article 53 of the U.N. Charter permitting regional arrangements. Instead, Article 51 has become the "legal basis" for the Pact. The article permits member nations to resist attack individually or collectively. The reason for the State Department's shift was that Article 53 does not allow enforcement action without authorization of the Security Council.

Mrs. Clifford Bender, testifying for the Women's Division of the Methodist Church protested that while the Pact might be "technically legal" it was against the spirit of the United Nations. She declared:

. . . While the Pact is legally permitted by the Charter of the United Nations, we believe that such arrangements are contrary to the spirit of the United Nations.

Article 4 of the Atlantic Pact was viewed by several witnesses as likely to undermine the United Nations. Article 4 provides for consultations among the members of the Pact. This might effectively divide the world in two and send the Atlantic Pact block into all United Nations discussions with a prearranged strategy. The proponents of the Pact denied that this was intended and Mr. Dulles said that if such a thing developed it would "cut the heart out of the United Nations."

Senator Connally interrogated Mr. John Foster Dulles on this question and Mr. Dulles expressed his concern that Article 4 should not operate against the United Nations:

SENATOR CONNALLY: I think one of the chief values of the United Nations is its provision whereby member nations can drag out into the open controverted questions and turn the white light of publicity upon them, and to influence thereby the nations not only participating, but the formation of public opinion of the world. Is that not true?

MR. DULLES: Yes. I am greatly impressed by the fact that the United Nations, and particularly through its Assembly, does exert a great influence upon the actual conduct of the nations. I know so far as the United States is concerned that we have hardly ever taken a position in the United Nations but what we have changed it as a result of debate and discussion and the view of other people that we heard there.

There has been no particular public discussion, so far as I know, about the scope of this Article 4 of the Atlantic Pact. That could be operated, in my opinion, to cut the heart out of the United Nations. I do not think it is intended, but if it means a little group of nations representing the West are going to get together privately and make up their minds about the matters which affect the whole world, and come to the United Nations with a pre-arranged position, that will take the whole value out of the United Nations, and particularly out of the United Nations Assembly, and I think it is extremely important to have that matter clarified . . .

One of the substantial arguments in favor of the Pact most often mentioned in the testimony was that it would provide a combination of nations that Russia would not dare attack. With 350 million people and the tremendous industrial power of the West the Pact would act as a deterrent to war. In this connection the argument was also made by Mr. Acheson, Mr. Dulles and others that since this was a deterrent to war it would save the United States money. The advocates of this point of view reasoned that stability and security and eventually a reduction of expenses for armaments would result. This argument came in for some opposition from Senator Watkins who maintained that the Pact would intensify an arms race with Russia which has already started.

SENATOR WATKINS: Is it not the tendency, as history shows, that where you have two nations or two groups each building up its defense and quarreling back and forth, each

piling on its budget as we understand Russia is piling on theirs and we know we have increased ours tremendously over any other peacetime budget in our history, that eventually they get to the point, back and forth, give and take, in the Cold War or whatever you want to call it which finally results in a blowup and you have a war?

MR. CLAYTON: Yes, that is the lesson of history; and it may be that something like that will follow in this case. I frankly think that the only way to avoid it is to form a union of the democracies of the world; and if you have that, you have got so much strength; you have got 350 million people with by far the greatest industrial and economic financial strength in the world; you have got 90 percent of the naval strength of the world; and I just do not think that any power left in the world outside that group would be so foolish as to attack it."

Mr. James P. Warburg, a former Wall Street banker, expressed the view that communist penetration of the western democracies and not military action by Russia was the real danger. Along with a number of other witnesses he stated that extensive military expenditures by the Western Powers would weaken economic rehabilitation. Mr. Warburg feared that a militarized group of Atlantic Pact countries would still be vulnerable to communist penetration from within which he felt was the real threat:

My own belief has been that the present world crisis derives from a number of factors, some of which are the products of the time in which we live and have nothing whatever to do with the nature of the intentions of the Soviet Union; that, in addition to these non-Russian factors, there has been, and is, a very definite Soviet threat to peace; but that this Soviet threat has been, and still is, primarily a threat of communist penetration or subversion and only secondarily a threat of military conquest. Holding this belief, I have been an enthusiastic supporter of the Marshall Plan and a persistent critic of the doctrine of physical containment. For the past two years, I have viewed with increasing misgivings the very great preemption of our energies and resources by the negative and not very successful policy of strategic containment and the consequent slow strangulation of our positive program . . . in terms of dollars the ratio now stands at about three and a half to one. We are now spending less than six billion dollars a year on our constructive program for peace. At the same time we are insuring ourselves against the failure of that program to the tune of more than eighteen billion dollars.

The major points brought to light by the half million words of testimony before the Committee may be summed up as follows:

It is clear that the Atlantic Pact commits each of the signataries to fight if one of them were attacked. Congress retains its constitutional right to declare war but the President of the United States can order United States troops into action without a declaration of war while waiting for Congress to act. Whether additional American troops will be needed in peace time to bolster the security of Western Europe has not been established. The administration says that there is no need now.

The problem of the "legality" of the Pact was painfully dragged through the hearings although some opponents of the pact admitted that it was the spirit rather than the letter of the Pact that they questioned. They quoted Trygve Lie and Herbert Evatt on the unfortunate consequences of military alliances for the United Nations.

The basic question, which will remain after the Senate has acted on the Pact, is whether the Pact is, as its friends claim, a deterrent to aggression or it will provoke war, as opponents say. Those in favor of the Pact pinned their argument on the expectation that Russia would back down in the fact of overwhelming power and determination. Others were afraid that the Pact might prove provocative or that it might at best be a temporary deterrent only.

Testimony before the committee also revealed that some who support the Pact today do so only because it is an accomplished fact. They feel that we have made a commitment that cannot be broken without serious consequences to our friends abroad. A free discussion before the commitment was made might have found the same people opposed to the Pact.

Marxism . . Christian Socialism . .
Fascism . . Democracy . .

THE SOCIAL PHILOSOPHIES OF OUR TIME

by HANS MEYERHOFF

Current trends in social philosophy are still engaged—so far unsuccessfully—in providing a new interpretative frame of reference for the human and social scene in terms of the radical material and intellectual changes which have occurred in what is known as the western world since the middle of the last century. In our philosophical moments as well as in our popular beliefs we are still trying to come to terms with the complex and bewildering heritage of the nineteenth century; any survey, however cursory, of the present situation must, therefore, include a brief reference to some of the major trends in this material and intellectual heritage.

I

Originating in what is conveniently called the "industrial revolution", the material, technological changes have produced the kind of a world which is our daily environment. It is a world in which the peoples of the twentieth century have achieved an unparalleled mastery over the physical resources of nature; a world which theoretically places few, if any, limits on the satisfaction of the material needs and desires of mankind despite an enormous growth of population during the last hundred years; a world in which the standard of living has risen steadily for all the people sharing in the material benefits of this technological revolution; a world in which the basic theoretical problems of production in industry and agriculture, of transportation over land, sea and air, of communication by wire and wireless, have actually been solved or are at least theoretically soluble on a world-wide scale; a world in which man has made steady and impressive progress in the conquest of disease, epidemics, and natural disasters; a world, in brief, in which nature has increasingly become a servant to man's ingenuity and skill; a world which, viewed in terms of the material conditions, has become increasingly uniform, homogeneous and familiar.

Parallel with these radical changes in the physical environment have run intellectual discoveries which have had equally radical, though perhaps less obvious, repercussions. This was the period of revolutionary changes in physics which eventually burst upon the world outside the laboratories in the form of the atomic bomb. But, from a scientific point of view, the bomb was only a sensational "incident," the by-product of a long theoretical chain reaction which began in the eighties of the last century and which has radically altered the classical Newtonian concepts of matter and the universe. This was the period in which similarly spectacular advances were made in chemistry, bacteriology, geology, archeology, and astronomy.

But, more important for our purposes, is the fact that this was also the period in which the social sciences as we now know them saw the light of day. The experimental techniques of inquiry and the rational methods of proof, as developed by the natural sciences, were systematically applied to the study of the biological, psychological, and social sciences. Man himself became the subject of the most intensive and systematic study according to the methods and principles of the natural sciences rather than within the traditional framework of philosophy and religion. The atomic theory of matter reappeared in the cellular theory of organisms; Mendel discovered the basic laws of heredity; Darwin, those of natural selection and evolution. Pavlov's famous experiments leading to the concept of the "conditioned reflex" and Freud's discovery of repressed, unconscious motivation inaugurated a new era in psychology. History became a scientific subject, and so did the analysis of primitive societies in anthropology. Earlier in the century, the Benthamites laid the foundation for the scientific study of economics; Comte, for what is known as empirical sociology; Marx and Engels envisaged the still more ambitious project of an entirely new social theory which would not only yield general laws about history and society, but would itself function as an instrument for historical and political changes.

The paradox of the contemporary human situation lies in the fact that, parallel with this enormous extension of man's knowledge and mastery of nature and parallel with the introduction of the empirical methods of inquiry into the social sciences, there has been a progressive failure in the mastery of the human and social forces operating within this new technological environment. The period during which mankind has reaped (or might have reaped) the abundant material

harvest of the industrial revolution and during which it has expanded the horizons of knowledge in a manner equalled only by the seventeenth "century of genius"—this period has also witnessed a succession of social crises and revolutions which have made it increasingly difficult for man to feel at home in the new world he has created.

For if it has been a world of technical perfection and material abundance, it has also been a world in which the technical means at man's disposal have not been exploited fully for the benefit of mankind in general or have actually been abused to evil ends; a world in which access to material resources has led to bitter conflicts between classes and nations; a world in which the distribution of the material wealth has given rise to periodic economic crises; a world in which these and other crises have set off political powder kegs periodically leading to wars conducted on an ever larger scale and with ever more destructive weapons; a world in which all efforts to achieve a peaceful economic and political integration on an international level have failed; a world in which the traditional belief in human progress exploded over Hiroshima and went up in the smoke of the crematories at Auschwitz; a world, finally, in which the traditional value symbols of justice, freedom, equality, peace, and happiness seem to be more flagrantly violated as the technical means for their realization have become more perfect.

Moreover, if this period has witnessed a spectacular expansion in the natural and social sciences, the latter have not only accumulated a vast body of theoretical knowledge about man's place in nature and society, but have also contributed to undermining this place. For a substantial part of the newly acquired knowledge has been, either directly or by implication, a severe criticism of the traditional beliefs and values of western society. This wave of criticism swept out not only the cobwebs of Victorian morality, but soon engulfed the entire philosophical and religious heritage of western society. The moral and religious ideals of western culture were exposed (as in the works of Nietzsche) as a set of clever "rationalizations" or "ideologies" designed to conceal a naked "will to power" behind a facade of absolute truths and values. Eventually a point was reached where this very critique in the name of an enlightened scientific rationalism collapsed in a spirit of skepticism, nihilism and irrationalism. A moral crisis ensued. A dilemmma arose in which men either would cling to old beliefs which could no longer be justified rationally or would reject

these beliefs without having any rational justification for accepting any other. But if neither the sciences nor philosophy could provide the basis for a rational decision between conflicting truths, ideologies and cultural patterns, then a choice would have to be made ultimately either on the subjective basis of personal taste and preference or on the objective basis of power and coercion—whether it was the pressure of social conformity or the power of a strong arm.

Economic, political and moral crises combined to create an ever increasing sense of bewilderment, frustration and anxiety on the part of the individual members of society. These psychological reactions, variously described as a "failure of nerves" or a "loss of faith," are reflected in the daily lives of people, in the statistics on divorce, alcoholism, suicide and criminality, in the serious and sophisticated "literature of despair" of what has been called a "lost generation" and in the popular "literature of faith" by which this lost generation has tried to regain a sense of security, equilibrium and "peace of mind."

It is against this broad background of a world witnessing revolutionary changes in its material structure and a collapse of its traditional beliefs and values that different social philosophies have contested with each other for supremacy. In this general survey we shall deal only with four major ideological trends: (1) the Marxist, (2) the religious, (3) the fascist, and (4) the democratic approach towards a reconstruction of contemporary society. Again, we shall be concerned primarily with a few basic ideological concepts most relevant to the previous introductory discussion rather than with a general exposition of these theories or with the role they have played in political action.

II

Marxism was the first great adversary of the tradition of democratic principles and institutions inaugurated by the English revolution of 1688, the American revolution of 1776 and the French revolution of 1789. Marxism itself is a full-fledged product of the nineteenth century. It developed as a direct response to the repercussions of the industrial revolution. Marx and Engels were among the first to study intensively and empirically the economic factors and social conditions of the expanding industrial society in England. It was these studies which furnished most of the empirical data for the Marxist analysis of modern capitalist society and for its general philosophy of history.

The social philosophy emerging from these studies is a mixture of a theoretical analysis and a political program. Marxism not only analyzes what it believes to be the facts and causes for the crises in contemporary society, not only attempts to predict what will happen on the basis of this analysis, but also asserts what *should* happen and outlines what are the ingredients of a *good* social system which would cure the ailments from which the world is suffering. These two elements, theoretical analysis and value judgments for the sake of action, are inseparable. Their intermixture strengthens the effectiveness and appeal of this philosophy, for it adds to the abstract, theoretical descriptions of the world as it is the elements of a social faith in a new world to come. And the impact of Marxism upon the modern world can be properly weighed only if it is realized that the values and beliefs derived from what is essentially an act of faith have constantly helped to overcome doubt and misgivings derived from errors in its theoretical or practical application.

The central thesis of Marxism is the familiar assertion that the ever-changing patterns of man's history and culture are meaningful only when analyzed in economic terms, i.e., in terms of the different "modes of production and distribution." With reference to our period in history this thesis is worked out as follows: The development since the introduction of the free-market economy in the seventeenth century has created two major classes in society; the bourgeoisie owning the instruments of production and the workers or the proletariat providing the labor power. The revolutions giving birth to the modern democratic state were revolutions for the benefit of the bourgeoisie as against the old feudal order. Hence, the modern democratic state is a "bourgeois democracy," serving the interests of and reflecting the ideology of the bourgeoisie. The political power of the bourgeoisie stems from the control over all forms of private property and from the exploitation (through profits) of the workers. However, as in previous periods of history, the present system carries the seeds of its own destruction. The enormous accumulation of capital in the hands of a few, the enormous increase in the production of commodities and the enormous growth in that part of the population engaged in the labor process have created conditions beyond the control of the old social and political forms. Hence, the "old order" shows signs of breaking up as evidenced by the periodic cycles of boom and bust, by the instabilities of governments and by the ever-increasing

scope and ferocity of wars. Economic crises, wars and revolutionary political action on the part of the workers and peasants, according to this analysis, will eventually combine to overthrow the bourgeois, capitalist form of democracy and inaugurate a new historical period. This will be the age of a socialist or communist democracy, characterized by the abolition of private property and the ascension of the proletariat to absolute political power.

Parallel with this analysis runs an indictment of contemporary society in moral terms. This leads to the conclusion that the capitalistic form of democracy not only *is* doomed to collapse under the weight of its internal contradictions, but *ought* to be done away with, *ought* to be replaced by a socialist or communist system. It is charged that the political rights and moral "ideals" of this democracy not only are violated by the minority in power whose interests they primarily serve, but that they are utterly meaningless to the majority of the people who are at the mercy of a ruthless struggle for material survival. Hence, the political rights are denounced as purely formal; the moral values as phony and hypocritical. And Marxism holds that the so-called moral crisis is an inescapable consequence of the economic and political crises inherent in our social system. Hence, it can be remedied only by a radical redistribution of economic and political power in society. Thus the goal of a socialist system in which the productive wealth of a nation is fully and rationally (i.e., without crises) exploited and equally shared by every member of society to the full satisfaction of his basic material needs is also invoked on moral grounds. Only when these conditions have been satisfied will man be capable of realizing the traditional ideals of social justice and individual freedom.

A number of these ideas—e.g., the interrelationship between economic and political power, the analysis of social groups in terms of class structure and class conflicts, the influence of social environment on group values—have become rather widely accepted in contemporary social theory though they are not necessarily identified with the Marxist label. However, a non-Marxist approach to the study of society differs from Marxist theory on three major points. In the first place, Marxism is essentially a monist theory. It reduces the entire fabric of history and society to an analysis of material and economic conditions. These conditions are ultimately the *only* factors considered relevant to an explanation of social and political changes,

individual and group behavior, scientific discoveries and artistic creations. This is an assumption which has proved far too narrow for an objective analysis of the enormous complexities of history past and present. In the second place, Marxism is a unilinear theory. It envisages the historical development at the present time as moving in *one* direction only, namely, in the direction of a socialist or communist society. This assumption, again, has led to serious theoretical difficulties. For example, it has failed to assess properly the strength of the bourgeois forms of democracy, the changes undergone by modern capitalism, the alternative of fascism, the power of nationalism and social myths, the implications of the monopoly of police power and propaganda in the hands of the state or the importance of psychological factors of status and prestige as against the material factors of wealth and possessions. On all these points, developments have run more or less counter to a rigidly Marxist analysis.

In the third place, orthodox Marxist philosophy has come to be identified, since the Russian revolution, with the way in which the Soviet Union has looked upon its own internal development as well as upon the world situation. This has still further reduced the value of Marxism as a theoretical tool for an objective analysis of the social situation; for, to the rigidity of a monist, unilinear theory is now added the dogmatism of practical politics. Not only has it become necessary to interpet every development in the Soviet Union, particularly after Stalin's ascension to power, as a "progress" or transition towards the perfect socialist society, but Marxist theory everywhere—insofar as it is identified with the Communist parties—has become an instrument subservient to the political interests of the Soviet Union. It is dubious whether this trend has been good politics, but that is a question outside our present scope. On purely theoretical grounds, it is certainly doubtful whether the alleged progress of the Soviet Union, whatever else it may be, is identical with the march of history towards a more perfect society. These doubts, however, can no longer be analyzed in objective terms by a Marxist theory, for the latter is only called upon to justify what is taken for granted by an act of faith. Moreover, it is indeed difficult, if not impossible, for anybody not imbued with this faith to take seriously the pronunciamentos, issued by the Soviet theoreticians in the name of Marxism, on such social problems as the function of literature and music or on such scientific questions as the inheritance of acquired characteristics.

Even the purely political issues are withdrawn from the arena of objective inquiry. Thus, for example, it is practically impossible to judge whether the current controversy between the Cominform and Tito is concerned with genuine theoretical and practical problems in Yugoslavia or whether the theoretical problems raised in the formal charges and countercharges are simply a smoke screen for an old-fashioned struggle for power between two types of nationalism. At any rate, it is obvious that insofar as orthodox Marxism is equivalent to Stalinist theory, it has lost most, if not all, of its value as an objective instrument for an analysis of the contemporary human and social situation.

III

The most important effort to deal with the crisis of man and society from a religious point of view has come from the Catholic Church. Protestant sects in different countries have also regularly taken a stand on the crucial social problems of the times, as, for example, in the statements issued by the World Federation on Churches, at the Lambeth Conference of the Church of England or by the Federal Council of Churches of Christ in America. None of these statements, however, has the binding power or the uniform acceptance which goes with a pronouncement from the papal throne; none of them has had an impact on social theory and practical politics equal to that of the papal encyclicals.

Catholic social philosophy is based on a flexible interpretation of highly general religious principles. According to the last Christmas message of the present pope, "the teachings (of the Church) must be suitably adapted to the ever changing circumstances of time and place, while their substantial immutability is kept unchanged." The "substantial immutability" of these teachings lies in the affirmation of the primacy of religion over the state which Catholicism has never surrendered since the days of Innocent III—a primacy which is now expressed in terms of principles rather than in terms of a struggle for secular power. Briefly speaking, it asserts that what is interpreted as natural and divine law supersedes any social laws or, to put it differently, that the latter derive their ultimate sanction and justification only from being compatible with the immutable principles of natural and divine law.

As "suitably adapted to the ever changing circumstances" of our times, these principles have led to a great many different interpreta-

tions as the circumstances required—thus frequently drawing the charges of opportunism upon the Church. But the major outlines of this interpretation with reference to current social and human problems are set forth in two basic documents: the encyclical letter on "The Condition of Labor" given by Pope Leo XIII in 1891 and known as *Rerum Novarum* and the encyclical letter on "Reconstructing the Social Order" given by Pope Pius XI in 1931 at the fortieth anniversary of *Rerum Novarum* and known as *Quadragesimo Anno*. Both texts (quoted below) contain the basic theoretical concepts of Catholic social philosophy; both texts have not only supplied the basic material for the social and political platforms of Catholic parties throughout the world, but also for certain types of contemporary governments.

The substance of this philosophy is a repudiation of the Marxist as well as the liberal democratic theory of man and society. Marxism was rejected as early as 1891. It is held to be an *erroneous* doctrine because private property is a "natural right" preceding any social organization, because there are other rights inalienable to man by natural inheritance (e.g., in his capacity as a father of a family or as a member of a religious group) and because the theory of the class struggle is contrary to the natural end of society defined as the harmonious interrelationship of different classes. It is held to be morally *evil* because these theoretical errors, lead, in practice, to a violation of human liberty and dignity under God "merely for the sake of material advantages." Thus, even though Marxism may help to promote certain needed social reforms, "it cannot not even in its moderate, non-Communist form be brought into harmony with the dogmas of the Catholic Church," because "it conceives human society in a way utterly alien to Christian truth."

While the Church has been consistent in this repudiation of Marxism, the encyclical *Quadragesimo Anno* uses strangely Marxist terminology in the analysis and critique of democratic capitalism. The latter is held fully responsible for the succession of economic crises and for the deterioration of human and social relations. "Free competition is dead; economic dictatorship has taken its place." This, it is said, drives people into a "fierce battle to acquire control of the state," and eventually to a "clash between the states themselves." "Economic nationalism" breeds "economic imperialism" or " a not less noxious and detestable international imperialism in financial

affairs." The heart of the matter lies in the immense accumulation of economic and political power in the hands of a few, in the wrong use of money and possessions and in the inequitable distribution among the various classes of "the earthly goods so abundantly produced in this age of industrialism." Hence, the "proletariat," as this encyclical also refers to the "propertyless wage-earning" class of society, has a just claim to redress for the wrongs it is suffering under a social system violating the basic principles of social and divine justice.

The re-interpretation of these divine principles constitutes the positive body of Catholic social philosophy. This consists, in the first place, in defining certain concrete measures the state must take in order to cure the errors and evils of democratic capitalism without falling into the pitfalls of Marxism. In substance, this amounts to a reconstruction of the social order along the lines of a corporate state. We cannot, in the space available, deal with the structure of the corporate state—however influential a role it has played in contemporary politics. Here we may simply point out (a) that this was the political solution offered by the encyclical, and (b) that this solution is neither self-evident nor justifiable on national grounds which would elicit general consent. It derives its ultimate sanction again only from an act of faith, i.e., from a question-begging belief that this type of society does in fact constitute the only possible interpretation of social justice and human liberty in the world today. This belief is meaningful only on the grounds of recognizing an authority which is not self-evident to those who insist on other criteria of evidence and proof for solving their problems.

In the second place, however, it must be observed that the political solution represents only one aspect of Catholic social philosophy. The strength of this philosophy does not lie so much in the specific political regime with which it happens to be identified (and it has also been flexible in this respect), but rather in the recovery of a philosophical outlook which reaffirms the validity of traditional values in the midst of violent social changes. This is done by placing man's total existence into a much broader perspective of experience than is usually the case in social theories. The social order alone, according to this view, can never encompass man's total existence; man's "salvation" requires his membership in a different "order" which sets the end and goal to his social existence. Economic and political problems are always derivative; the primary problem is moral or religious. Social reforms

at best mark only relative progress. Human beings will always differ in ability, health, strength and other characteristics inherent in the nature of man and the environment into which people are born. And these differences will always cause inequalities of fortune, hardships and sufferings. "To suffer and to endure," said Leo XIII, "is the lot of humanity; let men try as they may, no strength and no artifice will ever succeed in banishing from human life the ills and troubles which beset it." The ultimate solution for the human condition can be stated only in moral and religious terms. The crucial fallacy of the spirit of "modernism" (as castigated in the encyclical *Ubi Arcano* given by Pius XI in 1932) is to have rejected this frame of reference for the salvation of man. Thus, the crisis of modern man and society is used as proof for the assertion that moral and religious principles must take precedence over technological or intellectual achievements or that the latter, without the authority of religion, condemn mankind to social disintegration and moral failure.

This recovery of a total philosophical system, a unifying world-view in the religious tradition, has exercised a considerable influence on the contemporary climate of opinion—whether it has taken the form of a revival of Thomist philosophy or whether it is expressed in a general trend towards a "return to religion." However, we must add that this position restates rather than solves the problem under discussion, for it is precisely the question on what grounds, other than those of an authority accepted by an act of faith, can the human and social situation be reconstructed in the light of the radical material changes and the failure of the traditional value symbols which has given rise to the crisis of modern man and society. To use this failure of the traditional social symbols and religious values in order to prove their intrinsic superiority in this crisis reflecting their failure is a spurious type of argument hardly acceptable to anybody not imbued with the element of faith inaccessible to rational criteria of evidence and proof.

IV

The fascist experience was the most recent object lesson of an attempt to solve the social question by means of a revolutionary theory and practice which was neither Marxist, religious nor democratic. From a theoretical point of view, fascist writings have contributed comparatively little that is new. There are those who maintain that fascism, at least in its Nazi variety, does not represent a theoretical

system at all; but, whatever the verdict on this point, it is generally agreed that fascist theory is characterized by a high degree of both eclecticism and inconsistency. In fact, its most significant aspect lies perhaps in demonstrating that neither originality nor consistency of ideas is required to construct a successful social theory or dynamic secular faith.

Fascism was another formidable member of the recent opposition to the liberal, democratic tradition. As such it appropriated, for its own purposes, the familiar critical charges raised against this tradition. The breakdown of the old social order was again traced to its inherent contradictions and failures. More specifically, the liberal-democratic state, based on a parliamentary system with numerous political parties contending for power, was rejected as weak and incompetent. It had failed whenever called upon, in a crucial situation, to serve or advance the material welfare and the national aspirations of a people. For this reason, fascism broke with the economic as well as political principles of this democratic tradition. Marxism was rejected just as vehemently because of its "materialism," thus neglecting what fascist theory considered the essential "ideal" qualities and values of men and nations.

Fascism proposed the construction of a "new order" which has come to be known as totalitarian. Totalitarianism was its ideology and political technique. All political and economic power was to be vested in the agencies of the state. The individual surrendered all private, personal rights and interests to the state and/or the movement. Hence, individualism (the assertion of the will of the individual against the "collective will" of the people) was the social crime *par excellence* punishable by exile or death. The movement (Nazi or fascist) was the sole interest for eliciting mass support, for expressing the collective will of the people and for providing the framework for new political organizations. In this way the social order was to achieve a new unity and equality since all members of society were equally subject to the absolute power of the state and organized in the same political movement and its affiliated organizations. At the same time, the absolute concentration of political and economic power did not entail any radical changes in the social structure or the traditional property relations. The totalitarian state did not do away with what were considered to be inevitable "natural" differences in power, status and wealth. But it devised a solution

which was to eliminate the social conflicts and upheavals caused by these differences and threatening the democratic, parliamentary regime with disintegration or communism.

This meant that the traditional divisions of society (by family, occupation, class or religion) as well as their social and political expressions (in parties, labor unions, church organizations or private clubs) were to be done away with as far as possible. They were to be replaced by new organizations cutting across these traditional lines and setting up a social order constructed according to new hierarchical divisions. Theoretically, everybody and everything was organized and planned from above: allocation of raw materials, production quotas, labor service, education, welfare, the arts or the national festivals. Theoretically, no individual was exempt from membership in an organization. And the old social differences and inequalities in power, rank and benefits were reintroduced through the complex hierarchical distinctions practiced in these organizations. This was the meaning of the leadership principle. In this way, a fascist society preserves a rigid social hierarchy which, as in the military system, can be effectively manipulated and controlled by the old ruling groups.

This system of absolute and total control was believed to be justified on the following grounds. It eliminated material insecurity which affected millions of people; it reduced internal conflicts between classes and parties which had reached a breaking-point; it mobilized the physical, technical and human resources of the nation on behalf of some great "cause" or "mission." This was the justification of "national socialism;" this is still the kind of justification for any theory advocating similar fascist controls in the postwar period.

The fascist experience has been the most instructive lesson of how effective such a theory can be, in terms of popular acceptance, regardless of the means employed to gain power and regardless of the consequences to which it leads in practice. For example, it did not matter that the basis providing material security did not disturb traditional property relations and was inseparable from war. What is significant, from a theoretical point of view, is that the policy of abolishing the sense of material insecurity and the atmosphere of social disturbances and party strife elicited such widespread popular support. Thus material security may become so necessary, the pragmatic value of security so compelling as to override any rational consideration of the price paid for it. In such a situation individuals

and groups easily fail to respond to the traditional symbols of freedom and equality, because the latter have become practically meaningless. Again, it did not matter that the new myths or "ideal" values, such as racial purity, national destiny, living space, Roman heritage or the infallible leader endowed with supernatural powers, invoked for the carrying-out of the national mission could be exposed as pseudo-concepts. What is again significant is that these myths elicited such widespread popular support, that they were believed in despite rather than because of their pseudo-rational justifications in terms of a biological theory proving the natural inequality of races, a philosophical doctrine exalting war as a universal principle of human existence or the completely irrational concept of a Jewish world conspiracy. Thus a social situation may arise where the human needs for psychological security are so compelling as to dispense with any "rational" justification for the beliefs satisfying these needs. The "escape from freedom" into the myth or, in political terms, the surrender of all private freedoms to an absolute public authority appears as a last effort to come to terms with the overwhelming burden of personal confusion, helplessness and anxiety pervading the contemporary world. The fascist solution was singularly designed to meet these needs and to provide such an escape. The fanatic faith inspired by this solution, regardless of its methods and consequences, is still within our memory.

These needs, finally, both material and psychological, set the background for the effective exploitation of the techniques of terror, mass coercion and mass indoctrination. These techniques, developed to such a remarkable degree of perfection in our age, can be employed under most favorable conditions in a climate of social conflicts and personal anxiety. They are designed, on the one hand, as in the absolute control of the press, radio, entertainment and recreation, to strengthen the satisfactions derived by the individual from his acceptance of the "new order." On the other hand, they are designed, as in the constant threat or use of terror, to increase the sense of powerlessness and fear on the part of the individual if he conceives of any existence outside the new order.

The success of the fascist solution in terms of popular approval testifies to the strength of the social forces behind these needs and the power of the technological means developed to exploit them for specific political goals. It is hardly necessary to criticize this solution

in detail. The fascist experience has shown in practice what is the price paid by society in terms of human lives and happiness if these forces cannot be controlled by any other means.

V

Beset both by difficulties within and by enemies outside, the democratic tradition in social philosophy has been largely on the defensive in the recent conflict of ideologies. Its basic premises, formulated in the revolutionary period of the seventeenth and eighteenth centuries, are impressively set forth in the "Declaration of Independence," in the "Declaration of the Rights of Man," or in the writings of Locke, Montesquieu and Jefferson. These postulates assume as self-evident the familiar propositions (a) that human beings are endowed with certain inalienable rights (life, liberty, property and the pursuit of happiness), (b) that governments are instituted to protect and promote these rights, (c) that governments derive their authority from the will of the people, and (d) that each individual is capable of judging freely and rationally whether or not the social order serves the ends for which it has been instituted. The social system embodying these theoretical principles is that of government by consent, by majority will, but with due provisions safeguarding intrinsic rights of the minority (bill of rights), and by a parliamentary regime which includes specific checks against any usurpation of absolute power. It is these principles and the social and political institutions flowing from them which, broadly speaking, define the meaning of what is here called the democratic tradition in the western world.

As we have seen, it was precisely this tradition which failed to provide a satisfactory frame of reference for the radical material and intellectual transformations our society has undergone during the last century, and this failure has been generally admitted. There are few, if any, who still subscribe to the World's Fair belief in automatic progress as an inevitable consequence of the technological and social forces released by the atomic age. There is no need to belabor the point that some sort of revaluation of what we mean by freedom, justice and happiness, some way by which we can realize these goods more securely than in the past is devoutly to be wished for.

There are, as is well known, legitimate substantive differences in what we mean by these generally acknowledged values. Freedom under the law, for instance, depends on what kind of law freedom

is subordinated to; justice depends on what criteria are used to dispense it; happiness is even more illusive in its concrete contents. Social philosophies differ sharply in the meanings they assign to these general terms, though most of them have agreed that freedom, justice and human happiness or welfare constitute the ends which a social system should serve and promote. But the nature of these values has been a problem as old and difficult as Pilate's question about the nature of truth. The various theories, reviewed above, differ, as we have seen, in their interpretation of these values as much from each other as from the democratic concepts. However, if we assume —as we must unless we admit intellectual defeat—that there is some way of settling these differences, the method by which we determine the meaning of these values and the criteria by which we test their claim to validity are of crucial importance. Thus the differences in the contents of social philosophies are inseparable from differences in method.

The method of the democratic tradition consists essentially in recognizing the rational criteria of argument and proof developed by the natural sciences as the only authority for judging the validity of a social theory. It follows that, however damaging the original impact of the social sciences has been on the traditional body of beliefs and values, a reconstruction of this tradition is possible only through the best possible use of the techniques developed and results obtained by these sciences.

From this point of view, social philosophy is simply the sum total of the methods and theories developed by biology, psychology, anthropology, sociology, economics and political science. It consists of what the biologist and psychologist have learned about permanent and modifiable aspects of human nature under different environmental conditions; or of what the anthropologist has learned about "patterns of culture" in Samoa, New Guinea, South Africa or Alaska; or of what the psychologist—and particularly the psychoanalyst— has learned about the "psychopathology of politics," about the influence of family relations upon adult patterns of behavior, about the variety of forms taken by discrimination, aggression and frustration; or of what the sociologist has learned about class, caste, and race relations, about social structure and mobility and their effect on group behavior and values, about the social significance of the mass media of communication and entertainment; or of what the economist and political

scientist have learned about the concentration and extension of economic and political power, about the growth of managerial bureaucracy in government and industry, about the effect of terror as a political weapon, about the "totalitarian" trends reflected in the suppression of independent thought and minority opinions. Needless to add, this is but a sketch of the approach by which the social sciences have tried to redefine the traditional democratic concepts and values in the light of the contemporary social situation.

It would be wrong, however, to give the impression that all is well with this approach. The impressive accumulation of data and the ingenious development of new fields of techniques of research have also raised a number of questions as yet unsolved. For example, how are the diverse fields of knowledge to be unified or "integrated?" While numerous attempts have been made in this direction ("integration" has become a veritable mania among the social sciences), these efforts have not as yet borne much fruit. There has been little progress in working out a comprehensive social system, a common theoretical frame of reference or even unifying concepts and principles. Consequently, there is a good deal of research which seems to be concerned merely with an accumulation of new facts without regard to their theoretical or practical significance. Consequently, too, this method has not been able to make too successful a defense of its underlying principles against the well-integrated, systematic "faiths" of its competitors in the field of social action. Moreover, the method borrowed from the natural sciences, as mentioned in the introductory remarks, has so far failed to clarify the status of value judgments which occupy a dominant place in the social sciences. The scientific method has proved singularly impervious to the solution of what John Dewey (who himself has placed his entire faith in this method) has called "the deepest problem of modern life," namely, "the problem of restoring integration and cooperation between man's beliefs about the world in which he lives and his beliefs about the values and purposes that should direct his conduct." Unfortunately, the method has been exploited for good as well as for evil ends in society; and, unfortunately, the social scientist has all too frequently assumed the role of a mere recorder of the social scene thus tacitly endorsing whatever he is describing regardless of its value.

Nevertheless, despite these weaknesses, this method remains most acceptable from the point of view of the democratic tradition. While

experimental and tentative, lacking the incentive of reaching an absolute truth or a unifying faith as final reward, it has two major advantages over its competitors (1) It is self-critical, i.e., it uses its own criteria of evidence and proof as a check on its own presuppositions and conclusions. Hence, it permits a constant revision of what is believed to be true in the light of new evidence. (2) It recognizes only *rational* criteria of evidence and proof as legitimate authority for establishing and enforcing conclusions affecting the social behavior. For this reason, it has consistently rejected any other type of "authority"—whether divine right, irrational myths or absolute truths—as illegitimate for the construction of a social order. It is not claimed that other criteria may not be significant for other aspects of human experience (the arts or religion, for example); it is maintained only that, insofar as man's social organization is concerned, no arguments and propositions other than those which can stand the test of rational inquiry be admitted as final arbiters of what is true and false or right and wrong. Thus the coercion of men for the purpose of constructing or preserving a social order can be justified only if and when men everywhere, regardless of creed, color and social position, consent freely because the social system proceeds from principles which can be tested and defended on the grounds of rational argument. Freedom, therefore, is assumed to consist (a) in the recognition of (and, hence, submission to) these principles on the basis of no other authority than the individual's own rational powers and (b) in the creation of a social order providing the optimum conditions for the development of these and other potentialities of the individual. As recent history has shown abundantly, this assumption does not easily lead to a realization of the traditional democratic concepts and values. Nevertheless, it still is the best method we have if we wish to avoid other more arbitrary and irrational forms of "authority" which invariably seem to lead to the very denial and negation of these values.

BRITAIN'S ECONOMIC PROSPECTS*

by PAUL A. BARAN AND MARY S. PAINTER

IV. *The Longer View*

With production surpassing prewar levels and with its over-all international accounts in balance, Great Britain won in 1948 the first round of its struggle for economic survival. The agenda of its further economic effort will be quite different from that of the first years of the postwar recovery period. Although almost as crowded and urgent as ever, it will no longer be composed of pressing emergencies calling for immediate makeshift remedies. Economic planning and thinking that only recently were wholly preoccupied with day-to-day perplexities, are turning to the no less vexing problems of Britain's long-run economic viability. Can the achievements of 1948 be repeated in the years to come? Will Britain be able in the future to make ends meet without extraordinary foreign assistance?

The answers to these crucial questions are bound at this time to be rather speculative. They will depend on a multitude of domestic and international factors.

1. *The Effort at Home*

Production. The success of the endeavor to eliminate permanently the gap between currently available resources and national requirements will be determined *inter alia* by the volume of Britain's domestic output. It has been anticipated in many quarters that the spectacular rates of production increases reached during the second half of 1947 and the earlier parts of 1948 would be sustained in future years. Actually the production curve had already begun to flatten out in the autumn of 1948. The peak of November 1947 was not surpassed until June 1948, and production in December 1948 was no higher than it had been in February. Indeed, the economic program submitted by the British government to the Organization for European Economic Cooperation in October 1948 envisaged only minor increases in domestic output by June 30, 1949. In the words of the Economic Survey for 1949: "The period of rapid expansion in many parts of the economy is drawing to a close. The process of growth has changed. Future progress will result from technical progress, new capital equipment, improved organization, steadier and more produc-

* Third and last of a series. See *American Perspective,* April and May, 1949.

tive work, and not from an increased labor force and the gathering of the fruits of reconversion in earlier years." [1]

The Four Year Plan released by the government in December 1948 [2] reflects the same basic appraisal of future trends in production. According to this blueprint, productivity in manufacturing in the next four years is to increase by about 2½ per cent a year. Since manufacturing is expected to increase slightly faster than total output, it may be estimated that the gross national product will rise by about 10 per cent during the period covered by this plan. As Table XI shows, the growth that is to take place from now until 1953 is to be rather modest in comparison with the expansion that has taken place thus far.

TABLE XI

PROGRAMMED EXPANSION IN PHYSICAL PRODUCTION

(In per cent of prewar)

	Prewar	*1947*	*1948-49*	*1952-53*
Grain production	100	137	165	183
Meat and bacon production	100	60	67	100
Milk and milk-product production	100	110	110	123
Solid fuel production	100	88	96	113
Of which coal:	100	86	94	110
Electric power production	100	200	211	258
Steel production	100	111	132	149
Copper consumption	100	134	143	161
Cotton consumption	100	59	74	77
Wool consumption	100	101	117	122
Synthetic fibre production	100	150	199	327
Timber consumption	100	50	53	61

Since the total labor force is expected to decline and to be not only older five years from now but also smaller both in absolute size and in per cent of total population, even these relatively small increases in total output can only be secured by a rise of productivity per man. Such a rise in its turn is predicated upon an enlargement and modernization of the productive apparatus of the British economy. The Four Year Plan accordingly provides for an investment outlay that, if overseas investment in the colonies and the rest of the sterling area is added, should amount to 20 per cent of the gross national product,

[1] Cmd. 7647 p. 6.

[2] *European Cooperation, Memoranda submitted to the Organization for European Economic Co-operation relating to Economic Affairs in the period 1949 to 1953,* Cmd. 7572.

compared with only 13 per cent in 1938 and in 1947. This vast investment is to be distributed as shown in Table XII.

The production and investment programs are concentrated in those industries that can replace imports, mainly agriculture, and in those that are believed to have the best export opportunities: coal, oil products, iron and steel, engineering, chemicals, textiles, and shipping. The importance of increased agricultural output appears in the fact that while food, feedstuffs, and tobacco accounted for 47 per cent

TABLE XII

DISTRIBUTION OF PROGRAMMED INVESTMENT

(Excluding ordinary maintenance of houses and miscellaneous small works)

	Per cent of total
Fuel and power	15
Transport and Communication	18
Agriculture	6
Industry (including iron and steel and ship-building)	33
Housing	16
Social Services (water supplies, health, education, etc.)	7
Defense and public administration	5
Total	100

of prewar total imports and 43 per cent in 1948, and are programmed at 45 per cent of total imports in 1952-53, total agricultural imports in 1952-53 are expected to be only 80 per cent of their 1938 physical volume, and domestic agricultural production is scheduled to increase by about 50 per cent above prewar or 10 per cent above 1948-49. In spite of this large increase in agricultural production, however, the United Kingdom will still be the world's greatest food importer and "it would certainly be the government's hope that if the means of payment could be found, a still larger volume of food and feeding stuffs imports than is shown in the 1952-53 estimate could be acquired." [3]

The policies to be followed by the government in order to attain these production and investment targets are not novel in any respect. The "disinflationary" fiscal policy of maintaining surpluses of government receipts over government expenditures is calculated to provide for larger savings by the economy. A number of direct controls, mainly with respect to imports and the allocation of raw materials

[3] Cmd. 7572, p. 17.

and manpower, are to be kept in force. To channel investment in the desired way, the licensing of new capital issues and of all building work above small units, and similar statutory or voluntary arrangements, are to be continued.

It is obviously impossible to arrive at a definite judgment as to whether the production targets postulated in the plan are realistic, and whether the policies envisaged by the government will be adequate to attain them. There is no consensus on that score among competent British observers, although the opinion seems to prevail that so far as Britain's *productive* capacity is concerned, the goals set by the Four Year Plan are not extravagant. Conservative publications such as *The Economist* and *The Banker* advise caution, pointing out that "the British national economy is . . . strained to the utmost" and that the production targets of the plan are based on "the assumption that the economy can go on standing on tiptoe for four more years . . ." [4] On the other hand Mr. Balogh holds that the envisaged rates of growth are unduly pessimistic in view of the large investment program.[5]

Be that as it may, there can hardly be any doubt that if productive equipment is markedly improved and expanded and if the present production effort is sustained, the British economy should be able to produce in four years a much larger volume of goods and services. Whether this increase will amount to 10 per cent or to somewhat more or less no one can foretell. But even an increase of less than 10 per cent, of some 500 million pounds of 1938 purchasing power—which would be very small in the light of the experience of other countries—should fully suffice to restore the balance between available supplies and national requirements.

Consumption. The attainment of such a balance presupposes, so far as the other side of the scale is concerned, continuous restraints on the aggregate claims upon the available resources. It is the intention of the British Government to maintain its "austerity" policy, holding consumption as well as government outlay down to their present levels. The Economic Survey for 1949 envisages hardly any increases under either heading for the current year, and from what can be gleaned from other government pronouncements, no such increases are contemplated for the following two or three years. Only after

[4] *The Economist,* December 25, 1948: Cf. also "Austerity in 1952," in *The Banker,* December 1948.

[5] T. Balogh, "Britain, OEEC and the Restoration of a World Economy," in Oxford University, *Institute of Statistics Bulletin,* February-March 1949.

the completion of the Four Year Plan is per capita consumption to be permitted to rise beyond the 1948 levels and to surpass somewhat the prewar standards:

> "The supply of manufactured goods for the consumer should rise 15-20 per cent above the 1947 level with clothing and household goods above the prewar level. There should be sufficient supplies of the chief energy-producing foods and notable increases in the 1947 level of consumption per head of meat, eggs, oils and fats. The consumption of food as a whole would approach the prewar volume and the more equal distribution of the national income which has been secured in recent years would imply that the standard of food consumption of a large part of the population should be markedly better than before the war." [6]

On the question whether it is desirable and possible to hold down consumption to its present level for a further number of years in order to enable investment to reach its scheduled volume, British opinion appears to differ widely. It is not surprising that those who have limited confidence in the rationality and feasibility of the Four Year Plan are also the ones insisting strongly on the urgency of an over-all curtailment of investment, with a corresponding increase of consumption.[7] The reasons for this preference are manifold and range from concern with possible "overinvestment" to anxiety lest insufficient availability of consumer goods destroy the incentives needed to call forth maximum output. Yet what seems to disturb this school of thought most is that the keeping of investment as high as is scheduled by the government results by necessity in two arrangements that are equally repugnant to the business community: the maintenance of physical controls for the allocation of resources as between consumption and investment, with resulting curtailment of the businessman's freedom of action; and the relatively even distribution of real income that is inevitable so long as consumer goods remain in short supply. As Mr. Harrod expresses it rather disingenuously: "We cannot have an efficiently running productive system so long as the amount of commodities, which each individual or group is to be assigned, is decided by some centrally placed person. We need to restore freedom of the market." [8] That it is not the too low aggre-

[6] Cmd. 7572, p. 46.
[7] This view is expressed in various conservative publications such as the *Financial Times*, and is strongly advocated by a number of economists, the best known of whom is probably Mr. R. F. Harrod.
[8] R. F. Harrod, "The Way to Recovery," in *District Bank Review*, September 1948.

gate volume of consumption that is found objectionable by the spokesmen of this group, but rather the manner in which it is distributed, is underscored by the strong exception which is taken in conservative quarters to the relatively large collective consumption provided for by social services.[9] Although these services increase total consumption to some extent, this increase benefits mainly the low income groups and is supported by the tax payments of the well-to-do.

While "austerity" is thus being attacked by the Conservatives who disapprove of the Labor Government's regulation of economic affairs and its policy of "egalitarianism," the Left Wing assails the Four Year Plan as not providing labor with increases in money wages corresponding to the rising cost of living and higher productivity.[10] Since the Left critics of the government usually endorse its policy of large-scale expansion and modernization of Britain's industrial plant, their demand for higher consumption standards is clearly a call for further redistribution of real incomes in favor of the workers.

The government has been attempting to steer a middle course through this crossfire, although of late the tendency is undeniable to yield increasingly to the pressures of the Right opposition. The budget for 1949-1950, which in effect reduces consumption of the lower income groups, recently decreed derationing of shoes and clothing, accompanied by substantial price increases, all of which represent concessions to the conservative wing of British opinion.

Nevertheless it may be assumed that, on the whole, the currently enforced division of gross national product between consumption and investment will remain in force at least during the period covered by the Four Year Plan, and that the distribution of consumer goods will be kept near what it is at the present time.[11]

Until recently it appeared also likely that government outlays on goods and services would be kept at their present levels during the next few years, and no major increases over 1948-49 seemed to be contemplated. This however, is subject to more uncertainty than the policy with respect to consumption. Should Britain's commitments under the North Atlantic Pact call for the allocation of larger resources to military purposes, the government's claims on the total

[9] Cf. Sir Hubert Henderson, "The Economic Outlook" in *National Provincial Bank Review*, February 1948.

[10] Cf. the speech by Captain Hewitson, M. P. for the Labor Party, made during the recent budget debate in the House of Commons, as reported in the *Times*, April 8, 1949.

[11] This obviously presupposes that the present government will be returned to office in the general election in 1950. However, even a Conservative government would hardly find it possible to carry out a major reversal of these policies.

national product may easily exceed the estimates of the Four Year Plan. Since a curtailment of consumption would be most unpopular and probably unacceptable, an increase in military spending would have to be carried out at the expense of investment, thus reducing the speed and effectiveness of the scheduled expansion of Britain's productive capacity. At the time of this writing, nothing definite is known about the plans pertaining to this matter, and it is impossible to guess the seriousness of the burden that larger military undertakings may place upon the British economy.

2. *The International Setting.*

The Balance of Payments in 1952-53. The effects of Britain's two-pronged effort to increase production and curtail total require-

TABLE XIII

BRITISH BALANCE OF PAYMENTS
(In millions of pounds)

	1947 (current prices)	*1948-49 (program prices)* [1]	*1952-53 (program prices)* [1]
Imports			
Food and agricultural products (including tobacco)	775	962	906
Raw materials	529	731	838
Petroleum	72	131	141
Manufactured goods	176 [2]	202	124
Total imports	1,552	2,026	2,008
Receipts			
Exports and re-exports	1,110	1,625	1,844
Invisible earnings (net)			
Shipping (dry cargo, net)	+30	+67	+90
Travel (net)	−55	− 7	−26
Interest and amortization (net)	+50	+49	+25
Other	−220	−74	+175
Total invisibles (net)	−194	+35	+263
Total receipts	917	1,660	2,108
Net overseas investment	635	−365	+100

[1] The prices ruling at the middle of 1948 modified according to the terms of long-term contracts, etc.
[2] Including 45 million for ships.
SOURCE: *European Cooperation*, op. cit., p. 41. (The dollar estimates are converted into sterling by dividing the dollar amounts by 4 and rounding the results. Column totals may not add due to rounding.)

ments are to find their clearest expression in the balance of payments. By 1952-53 not only is the gap to be entirely closed but an over-all surplus of 100 million pounds is to permit some further rebuilding of Britain's assets abroad. Table XIII presents the estimates of the Four Year Plan.

In this projection imports are estimated as a residual—*i.e.*, from the calculation of probable earnings is subtracted the net capital outflow believed necessary for new investment and debt repayment, leaving the remainder available to pay for imports. On this basis, imports in 1952-53 are expected to be about 85 per cent of their 1938 physical volume. Imports of raw materials are to rise above their present levels, in order to support the increased domestic production, but other imports are expected to decline somewhat from the 1948-49 volume.

Exports in 1952-53 are to average 150 per cent of the 1938 volume, or 10 per cent above 1948 when they averaged 136 per cent of 1938. Net "invisible" earnings are expected to increase substantially, especially in the item "other," which includes the overseas transactions of the government and the British oil companies. Receipts from British-owned shipping are to increase to almost 3 times their 1947 amount, while net receipts on account of interest, dividends, and profits are scheduled to decline because of the servicing of the American and Canadian loans, which is to start in 1951.

It is considered that 100 million pounds ought to be allocated in 1952-53 to new investment in the British colonies and elsewhere in the sterling area. An extensive colonial development plan has, in fact, already been started, designed to increase the volume of exports from the colonies to the mother country or the dollar area.[12] The commodities whose production is to be stepped up are raw materials —in particular ground nuts, sugar, rubber, tin, copper, cobalt, bauxite, and lead.[13]

[12] Part of the financing of this program may be met by loans from the Economic Cooperation Administration and/or the International Bank for Reconstruction and Development.

[13] This aspect of the Four Year Plan has provoked considerable criticism at gatherings of the United Nations and elsewhere. It is not without sublime historical irony that Conservative critics have castigated the colonial development schemes of the Labor Government as open colonial exploitation. "By virtue of his main Ministerial responsibility (the Minister's) primary interest cannot be that of the Colonial inhabitants, any more than the interests of private enterprise can be that of Colonial inhabitants as against shareholders." Sir Arthur Salter, Parliamentary Debates, House of Commons, Standing Committee A. Official Report, Overseas Resources Development Bill, November 27, 1947, p. 56. For a stimulating discussion of the economic problem of colonial development cf. John H. Adler, *The Underdeveloped Areas: Their Industrialization*, Yale Institute of International Studies, New Haven, 1949.

Within the over-all balance of payments, so long as currencies are inconvertible there remains the problem of the distribution by area, as shown for 1952-53 in Table XIV. It will be noticed that there still is a Western Hemisphere deficit of nearly 75 million pounds; this is expected to be covered by the dollar earnings and gold production of the rest of the sterling area and by United States commercial investment in Britain and the Commonwealth. This reduction of the dollar deficit entails an increase of exports to the Western Hemisphere by 55 per cent above the level of the first half of 1948, and a reduction of dollar imports by about 112 million pounds below the program for 1948/49. The deficit with countries not participating in the ERP and not included in the sterling area, about half of which

TABLE XIV

BRITISH BALANCE OF PAYMENTS ON CURRENT ACCOUNT, BY AREAS, 1952-53

(In millions of pounds; at program prices)

Expenditures	*Western Hemisphere*	*Other Non-ERP participants*	*Sterling area*	*Non-sterling participating countries*	*Total*
Imports (f.o.b.)	472	294	804	437	2,008
Shipping	67	12	41	76	195
Travel	10	1	30	50	91
Interest, profits, dividends	64	10	38	25	137
Loan amortization	24	—	7	—	31
Total	636	316	920	588	2,461
Receipts					
Exports and reexports (f.o.b.)	364	248	873	360	1,844
Shipping	88	12	120	65	284
Travel	38	1	16	10	65
Interest, profits	51	6	108	10	175
Loan amortization	—	3	—	14	17
Other receipts (net)	23	3	8	141	175
Total	563	273	1,124	600	2,561
Balance on current account	−73	−44	+204	+12	+100

SOURCE: *European Cooperation*, op. cit., p. 42 (The dollar estimates are converted into sterling by dividing the dollar amounts by 4, and rounding the results. Column totals may not add due to rounding.)

is with the USSR and Eastern Europe, is expected to be offset by the surplus of the rest of the sterling area with these countries.

Assumptions and Uncertainties. As can be readily seen, the imposing struture of the Four Year Plan and the attainment of its ambitious goal—the restoration of the balance between Great Britain's resources and requirements—are based on a number of essential assumptions. The scheduled increase of production and limitation of consumption have already been mentioned. Yet neither is able by itself to guarantee the success of the undertaking. As *The Economist* puts it: "the Government's long term plan . . . will hang together when Marshall Aid is withdrawn, only on the assumption that exports are then even higher than they are now." [14] What this assumption actually implies is that throughout the ERP period, as well as thereafter, the world demand for British exports will remain at its present level. To quote *The Economist* again: "[this] assumption may not yet be a wholly impossible one—but it begins to look very rash indeed." [15] To be sure, thus far Great Britain has encountered no difficulties in selling its exports in the world markets.[16] Yet as postwar reconstruction and readjustment make progress in many countries, and the most glaring shortages begin to subside, the sellers' market enjoyed by Britain during the first three postwar years is drawing to a close. The forces that have caused depressions heretofore and that have reduced average effective demand, income, and employment over the cycle to levels below the maximum possible, have been pushed into the background during the years of wartime and postwar inflationary pressures. They are bound, however, to become operative once more as "normalcy" is approached, and may grow even stronger in view of the political uncertainties hampering private investment at the present time in many countries. This applies not only to many of the European, Latin American, and sterling-area markets of Great Britain, but also to the crucially important North American market.[17]

As reported, it was the feeling of most members of the United

[14] *The Economist*, May 7, 1949, p. 820.

[15] *Loc. cit.*

[16] At the time of this writing there are, however, some indications, although by no means conclusive, that the situation now is much less satisfactory than it was, say, a year ago. Cf. Candidus, "The Wizards of Washington," in *The Investors' Chronicle*, April 23, 1949.

[17] According to recent estimates, a decline of the American national income by 10 per cent, which would consist of a decline in the physical volume of goods and services produced by 5 per cent, and a decline of wholesale prices by 5 per cent, would cause a drop of 15 per cent in the value of imports. Of this fall 11 per cent would be 'real', i.e., a shrinkage of the quantity of imports, and another 5 per cent would be accounted for by a decline of import prices.

Nations Commission on Employment and Economic Stability, recently in session at Lake Success, that a world-wide deflationary development is in the making; past experience suggests strongly that such a turn of events would seriously affect the *volume* of British sales abroad.

Thus in a none too distant future the British exporter may have to struggle hard to dispose of his goods, and in this effort he will encounter at this time even more powerful competition than before World War I or during the interwar period. Not only would a reduction of demand in the American markets strongly stimulate American sales efforts abroad, but Germany and Japan are reappearing again as important contestants of Britain's position in the world markets. Both of these countries find themselves in a situation similar to Britain's—of dependence on imports of food and raw materials, as a result of which they are under heavy pressure to export a significant part of their output.[18]

Current plans of the Bizone Administration call for an increase of German exports in 1952-53 to 132 per cent of 1936 and to as much as 470 per cent of 1948. From 600 million dollars at the present time these exports are supposed to rise to 2,800 million at the end of the ERP period, with their composition radically changed. The share of mining products in total exports is scheduled to decline from 45 per cent in 1948-49 to 15 per cent in 1952-53, while machinery and optical goods are to increase from 14 per cent to 35, and chemicals from 4 per cent to 14. In other words, exports in these two categories, both of which are also among Britain's major export items, are expected to show an even more rapid expansion than total exports.

Nor does the prospective geographical distribution of German exports offer reason for much comfort. Western Germany expects to sell in South America 53 per cent as much as Britain, in the European countries participating in ERP 72 per cent as much, and in the crucially important North and Central American markets 31 per cent as much. German sales efforts in the United States may assume still larger proportions, particularly if, as is likely, Germany is not able to convert into dollars its anticipated European surpluses and has to try to divert a larger part of its exports to this country. It thus appears that German competition will be felt by Britain where it was

[18] With the *de facto* splitting off of the eastern agricultural areas from Western Germany and the resulting necessity to import from abroad even larger quantities of food than before the war, Western German exports of manufactured goods will have to surpass their prewar levels.

most serious before the war, namely in continental Europe and the Americas.

On the other side of the globe Japan can be expected to become once more an important threat to Britain's position in the Far Eastern markets. Before World War I, and in particular during the inter-war period, Japanese competition had a disastrous effect on the British textile industry. Between 1912 and 1938 Britain's exports of cotton yarn and cotton cloth declined from 244 million pounds and 6,913 million square yards, respectively, to 123 million pounds and 1,386 million square yards. Amounting to 59 million pounds and 761 million square yards in 1948, these exports still account for about 8 per cent of Britain's total sales abroad.[19]

Although Japan's present cotton-textile production is still far below its prewar level,[20] its expansion is generally held to be a matter of only a relatively short time, in which event Japan's cotton output and exports will rapidly increase.

The seriousness of the competitive struggle that Britain will have to wage against Germany and Japan in the very near future is underscored by the fact that the productivity of the reconstructed and modernized industries of Germany and Japan may by that time be at least as high as that of Britain, while the real wages of the German and Japanese workers are likely to remain much lower than those prevailing in the United Kingdom. Equally dangerous will be the competition of the United States. Although real wages in the United States will undoubtedly continue to exceed considerably those in Britain, American productivity can be expected to surpass British productivity to an even larger extent.

It is thus probable on the whole that the world supply of manufactured goods for export and the competitive efforts to sell them will be considerably larger than before the war. The countries participating in the ERP, taken together, plan for 1952-53 an increase of their exports to 150 per cent of the 1938 volume. The United States will also in all likelihood strive to keep its exports well above their prewar levels. In 1948 the United States exported about 5.2 per cent of its total output, compared with 3.7 per cent in 1938. In terms of the physical volume of exports, this is 114 per cent above the 1936-1938 average. While a part of this increase may be con-

[19] "Britain's Cotton Industry," in *Financial Times*, February 21, 1949.

[20] At present only 2.5 million spindles are operating in Japan out of a total capacity permitted by SCAP of 4 million, compared with 8 million operating before the war out of a capacity of 13 million.

sidered temporary and "abnormal," it would appear safe to assume that the United States has permanently increased the scope of its export trade.

At the same time, the future of the world food markets appears at this time much brighter than after the last war or at any time during the interwar period. The war-induced expansion of total agricultural output has this time been more modest than in 1914-1918, and, what is perhaps even more important in this connection, the world's aggregate agricultural surpluses are likely to remain much smaller than in the twenties or thirties. Agrarian reforms in many countries, higher living standards in others, combined with a considerable growth of population, tend to increase the domestic utilization of food and reduce the food surpluses available for shipment abroad. The pressure on world food prices is therefore unlikely to become nearly as heavy this time as after the boom following the first World War. Moreover, the various governmental price support schemes now in existence in all important exporting countries place rather rigid limits to possible price declines in agricultural markets.[21]

To be sure, a general recession and a price fall in world markets would benefit Britain by lowering its trade deficit and by permitting it to make full use of its powerful bargaining position as the world's largest importer of food and raw materials. It is, however, most uncertain whether these advantages would suffice to offset the adverse effects on the volume and terms of Britain's foreign trade that are likely to develop under conditions of relatively stable prices in agricultural markets and of "cut-throat" competition in manufactured goods.

V. *Conclusions and Observations*

Needless to say, the foregoing discussion does not add up to a forecast of Britain's immediate economic future. What has been attempted is rather a survey of the factors and forces that with varying weight and intensity will influence the development in the coming years and between them will determine the outcome of Britain's current efforts to attain longrun economic equilibrium.

The obstacles and the uncertainties that have to be taken into account in considering the chances for a successful outcome of this historic undertaking are numerous. Many of them are of a primarily

[21] This clearly does not imply that there could not be a major drop in agricultural prices. It would seem unlikely, however, that it could assume the same proportions as twenty years ago.

international nature, and represent to a large extent data that have to be taken for granted in all British economic planning. Others are the outgrowth of internal economic and social institutions, and will depend mainly on the outcome of the current economic and political struggles within the British society.

The economic problem of Britain has to be seen against the background of a far-reaching disintegration of the traditional international division of labor under which individual countries as a rule specialized in lines in which they enjoyed the greatest comparative advantage. Working originally in a discriminatory fashion—favoring the advanced and slowing down the rise of the backward—the arrangement by which some countries developed into the "machine shops" of the world while others served as "water carriers" and "wood hewers" has now struck back at its earlier beneficiaries. This historical distribution of production (and real income) among individual countries had already been shattered by World War I, only to receive further blows during the interwar period and in the years of the Second World War. The efforts of the so-called backward countries to develop their own resources and to allocate large parts of their current income to investment in new industries—efforts that have been stimulated by the war-caused disruption of trade as well as by the necessity of increasing their standards of living—are drastically changing the pattern of international trade. What these countries wish now to import—heavy industrial equipment and essential consumer goods—is not what Western European countries, and in particular Great Britain, have been accustomed to export to them. Not only luxuries and various higher-quality consumer goods, but even certain types of light machinery, are losing large segments of their former foreign markets. While the advanced countries continue to be in need of food and raw materials, the under-developed countries, in shifting their resources to industrial activity, are reducing their food and raw material output, are consuming more of it at home, and are becoming increasingly unwilling to accept in payment for their exports the products that used to bulk large in the list of their imports.

One effect of this development, so far as Great Britain is concerned, has already been mentioned: Britain's terms of trade have been, and are likely to continue, shifting against it. The other, and possibly even more significant, repercussion is the imbalance of the British economy that is becoming increasingly apparent. The output of its

export sector, as it has crystalized in a century of international specialization, is becoming progressively less adjusted to a world of general industrialization, "fomento," and national self-sufficiency policies. Great Britain is thus facing not only the problem of the inadequacy of the aggregate *volume* of its total output but, with growing urgency, the question of the *structure* of this output as well. Exchange controls and quantitative restrictions imposed by countries attempting to raise their productivity in a relatively short time are resulting in an allocation of scarce foreign exchange to the purchase of essential commodities and in the exclusion to an ever-increasing extent of the imports of consumer goods and nonessentials that have usually been supplied by Western Europe. Where this is not accomplished by deliberate import-control policies, the same effect is produced by the equalization of incomes in many countries as a result of far-reaching social upheavals. There are fewer people in the world today willing and able to afford expensive imported clothing, rare foods, and similar luxuries. There are fewer countries in the world today that permit their citizens to spend large sums on foreign travel, or on real estate and investment in other countries. It is this structure of the world demand, however, to which a large part of the export economy of Great Britain and Western Europe has been geared and which to a large extent has formed the basis of Western European and British prosperity.[22]

This change in the world's demand for imports is only an expression of the changing organization of national economies. With productive resources being deliberately allocated so as to assure predetermined levels of real income, consumption, and investment, foreign trade becomes an important tool of national economic policies. The steering of exports and imports into desired channels, the stimulation of foreign sales and purchases of some goods, and the prohibiting of transactions in others become indispensible if national developmental programs are to be realized. The advantages that could be had from free multilateral trade on a nondiscriminatory basis appear less significant to these countries than the risks inherent in the volatility and unreliability of free world trade. Barter agreements between countries, and regional deals assuring participant nations of steadily flowing supplies and of stable markets, become prerequisites for successful national planning.

[22] British foreign trade statistics suggest that even as late as 1948 about 40 per cent of British exports consisted of consumer goods, while a large part of the remainder was composed of material for consumer goods industries.

A country such as Britain, which is dependent on a large volume of trade with other countries, must willy-nilly take cognizance of these new developments in the world economy. Instead of producing for the world market at large, it will have to cater to the specific demands of specific customers. Instead of relying on general world prosperity, it will have to base its calculations on the requirements of developmental plans of the planned economies. This reorientation undoubtedly calls not only for a larger volume of total output but also for basic changes in its structure.

Yet the necessity of not merely expanding the *volume* of total output but also effecting drastic shifts in its *structure* inevitably antagonizes powerful vested interests. Established businesses, even if they have outlived their traditional usefulness, continue to cling to disintegrating domestic and foreign markets, and manage to resist all attempts at the reallocation of productive resources. Monopolies and cartels persist in restrictive practices that not only impede increases of output, but also perpetuate its inadequate structure.[23] Featherbedding craft unions, still inspired by their traditional fears of unemployment and technical progress, try to prevent the entry of new workers into their fields.

No doubt, necessary readjustments could be allowed to come about "automatically." Insufficient volume and an inadequate structure of output could be permitted to "rectify" themselves by a drop in living standards, by unemployment and depression. The market mechanism could be entrusted with the task of reallocating scarce resources from one employment to another. Left to itself, however, this process would unfold over the tortuous road of industrial shutdowns, wage cuts, and obstruction on the part of the affected interests.

Under these conditions, not less but more planning may actually be what is called for. The type of economic controls developed in Britain has thus far proved its merits during the wartime and postwar emergency. It has prevented major economic and political calamities by curtailing and apportioning consumption, by reducing nonessential investments, by holding down imports. Whether such "prophylactic" planning will be sufficient when certain investments have to be stimulated and others entirely suppressed, when production in some industries has to be expanded at the expense of others, when new products have to be introduced and the manufacturing of others dis-

[23] Cf. Ian Bowen, *Britain's Industrial Survival*, Faber and Faber Ltd., London 1947, pp. 51 ff.

continued, is still an open question. Planning by "voluntary cooperation" may under such circumstances easily become a tool in the hands of those whose price for "voluntary cooperation" is the preservation of monopolistic positions in the economy and in society.

Yet the success of the planning effort in Britain's domestic and international economic affairs will determine Great Britain's status in the changing world of the future. She could become once more the industrial, political, and ideological center of a world striving for development, rising welfare, and progress. She could also fall back into the position of a damaged ship struggling helplessly to preserve a precarious stability in the midst of an incessant storm. Which of those alternatives will materialize will depend in large measure on the outcome of the historical contests being waged at the present time in all corners of the globe.

GERMAN SOCIAL DEMOCRACY

by HAROLD O. LEWIS

The role of the German Social Democratic Party is variously interpreted by observers of the German scene. To some its advocacy of socialism makes the party different only in degree from the Communists. Others deem it indispensable as the vehicle for German groups least afflicted by nationalism or subservience to the pseudo-internationalism of the Soviet Union. A third group of observers finds German Social Democracy both ideologically and organically unsuited to cope with the growing polarization of power between right and left extremism. However much the party's role may be in dispute, its influence in German political circles is, for the present, an established fact. In Hamburg, Bremen, North Rhine Westphalia, Hesse and Schleswig Holstein, the Socialists are either predominant or enjoy substantial political power.

The German Social Democratic Party *(Sozialdemokratische Partei Deutschlands)* has the largest party membership of any political organization in western Germany. According to the most recent official report [1] there are 900,000 members included in 24 districts and 9,191 local groups. This total, which counts the three western zones and Berlin, represents an increase of about 188,000 over the total membership reported in December 1947. The Party press has been reestablished in the French and British zones but as yet a politically sectarian press is not allowed in the American zone. The 17 daily papers headed by *Neuer Vorwaerts* are only a fraction of the 200 Social Democratic papers published prior to 1933, but the circulation of the current Socialist press is said to exceed the million copies of the earlier period.[2]

The Soviet occupation of eastern Germany has affected the Socialists more than the other parties. The organization of the Socialist Unity Party under Soviet auspices resulted in the exclusion of the Social Democratic Party from the eastern zone and thereby deprived it of the heavy pre-Nazi support in such non-Catholic areas as Thuringia and Saxony. The surprisingly large vote for the Liberal Democratic Party in the elections of 1946 has been taken as evidence of continuing Socialist strength in the eastern zone on the theory that many Socialists

[1] *Sopade, Informationsdienst* (Hanover), September 29, 1948.
[2] *Ibid.*

voted the LDP list in protest. Reports from *Friends of the Eastern Zone* appear frequently in the Party press[3] but this is no accurate indication of the existence of a substantial, well organized underground. This absence of organized opposition is probably a significant commentary on the effectiveness of Soviet control in the eastern zone. However, the traditional Social Democratic adherence to legal methods would also militate against the development of any great concerted underground activity among the Socialists of the eastern zone, though, as the recent election results show, control mechanisms are not tight enough to prevent widespread unorganized opposition. The negative effects of Soviet occupation are partially offset by a positive one, the plight of the Germans in the Russian zone has facilitated the Social Democratic struggle against the Communists in the west. Socialist success in this battle is attested by the membership figures which approximate the total for the Party in all of pre-Nazi Germany.

The new status of trade unions in postwar Germany has also had a significant effect upon German Social Democracy. The close cooperation of the trade unions with the SPD in Weimar days has not been resumed. In the first place, the Allied authorities[4] encouraged the devolopment of trade unions independent of any political ties and on a regional basis with the proviso that, "the pace of development shall be determined by the appropriate Zone Commander." As a consequence, the trade union movement is only slowly assuming a trizonal organization paralleling that of the SPD. So far only the railroad employees, the metal workers and the chemical workers have organized on a bizonal scale; French resistance has prevented any further expansion of these unions.[5] The unions themselves have been discouraged from political action by the general lack of political responsibility enjoyed by the German governments. The fact that the pre-Nazi division into Free (Social Democratic), Christian and Independent unions has not been revived has also militated against any ties with the Social Democrats. Specifically, the Catholic workers' threat of withdrawal, particularly in the south, has been a strong deterrent to political cooperation with the Socialists.

These circumstances have had serious effects upon the SPD. In the first place, the severance of the traditional ties with the trade

[3] Cf. *Neuer Vorwaerts*, September 18, 1949.
[4] *Allied Control Council Directive*, Number 31.
[5] *Sopade, Informationsdienst*, November 22, 1948.

unions has deprived the Socialists of substantial financial contributions and has forced the party to rely more upon membership fees. Although 93 percent of the members are reported to pay their dues,[6] the fiscal problem remains a major difficulty. The currency reform of June 1948 further complicated matters by reducing the Party fund of 4 million marks by 200,000.[7] On the other hand, the enforced independence of SPD from trade union ties has somewhat increased the Party's maneuverability. If the Weimar experience is any guide, these advantages growing out of separation from the trade unions should outweigh the disadvantages inherent in the Party's new position.

In the past, central leadership and organizational unity have been more highly prized by the Social Democrats than individual genius and trail blazing. These tendencies have been limited by the rise of a new national leadership which is engaged in a covert struggle against the traditionalists who are strongest on the regional and local levels of the Party.

Kurt Schumacher, the first chairman of the Party, is one of the few—if not the only—political leader who possesses any real mass following. Now 54 years old, he has lived through 10 years in Nazi concentration camps and in spite of serious physical handicaps has been mainly responsible for determining the course of the Party since the German surrender. He and his immediate followers, including the members of the Union of German Socialist Organizations who spent most of their exile in London dominate the central party apparatus in Hanover. They favor a more radical policy than the most of the Laender leaders who advocate the prewar traditional adjustment to the existing order and coalition with the other parties at any price.[8] The Schumacher group favors a more radical policy, particularly against the Russians and the other occupying powers. A direct challenge to Schumacher's leadership over the issue of policy has only recently developed but his recurring illness has highlighted the question of his successor. Erich Ollenhauer, as second chairman of the executive committee, assumed responsibility during Schumacher's illness but he is considered by some as too colorless to win any large following. Fritz Heine, another old Party man, seems disqualified on the same score. Professor Carlo Schmid, the uncontested Socialist parliamentary leader, is the chairman of the Main Committee of the

[6] *Ibid.*, September 29, 1948.
[7] *Ibid.*
[8] *Frankfurter Rundschau*, August 5, 1948.

Parliamentary Council. He is a dynamic personality but without deep Party roots. The traditional suspicion of latecomer intellectuals would also prevent him from gaining any great stature as leader. Ernst Reuter, the courageous mayor of Berlin, has won acclaim in the struggle for Berlin. He will hardly suffer from his brief connection with the Communist Party (which he severed in 1921), but the exclusion of Berlin from west German affairs will limit his influence in Party circles. If in the near future Schumacher is unable to continue active direction of Party affairs, his logical successor would still seem to be Ollenhauer in spite of his drab personality. His occupancy of the strategic spot in the Party hierarchy recommends him as the possible compromise choice of the traditionalists and activists in the Party.

The views of the Party leadership were expressed significantly in a speech delivered on behalf of the ailing Schumacher to the Party Convention at Düsseldorf in September 1948.[9] Under the significant title, *Social Democracy in the Struggle for Freedom and Socialism,* Schumacher launched a devastating attack upon occupation policies and upon the political opponents of the Socialists. He attributed "the alleged lack of initiative and interest in responsibility" of the German people to the occupying powers themselves. "Neither the East nor the West has set the masses in movement"; rather have the Powers themselves determined political and economic policy in terms of their own ideas. Therefore, according to Schumacher, the German people cannot be persuaded that either the Soviet system of the East or the entrepreneur state of the West is the best form of government.

In establishing his assertion that there are more forces hostile to democracy in Germany today than in 1918, the Party Chairman attacked denazification procedure for its failure to find a standard of objective justice and for the lack of any real punishment for the guilty. He criticized the reeducation programs as containing much inexcusable nonsense and reflecting the anti-democratic views of "the Occupation-sponsored officialdom and the propertied classes."

Schumacher's remarks on a positive program for Germany were prefaced by a repudiation of any slavish adherence to Marxism.[10] He declared that "the struggle for democracy and socialism requires no confession of Marxism. A party cannot make one method or one

[9] *Neuer Vorwaerts,* September 11, 1948.

[10] Other Socialist leaders have stated that the Marxian economic theory is no longer useful but that the concept of class struggle must be retained.

historical conception an inviolate command and remain democratic." By implication he conveyed the impression that even lip service to Marxian doctrine had been repudiated because of its prostitution by the Communists. The speech contained a plea for socialization, largely on political grounds, because though "Socialization is not a doctrinaire, magic formula . . . the political emasculation of heavy industry is the condition for the securing of democracy in Germany." Dismantling and the lifting of controls after currency reforms were attacked. Finally, attention was directed to the struggle over a constitution for western Germany. Schumacher repeated the line which the Social Democrats have adopted on this question: The Occupation Statute and not the conclusions of the Parliamentary Council at Bonn is decisive; a definition of the respective rights and functions of the Occupying Authorities and the Germans is needed before a western German government can be formed.

The position taken by the Party Convention differed in some instances from that expounded in the Schumacher speech. There was, for example, no mention of denazification. The convention revealed a glaring ideological and programmatic uncertainty. The lack of a detailed program and the confusion about the form of socialization are cases in point. The convention authorized the drafting of a program but the leaders are still divided over the form and content of socialization.

In most of the discussions of this subject [11] there is agreement on some sort of pluralistic socialization with ownership distributed among various private and public agencies rather than concentrated in the hands of the state alone. But there is no meeting of minds about the actual distribution of ownership of the socialized concerns. Ever since the Russian Revolution, Socialists have been reexamining such terms as "socialist transformation of society" and "state socialism" in the light of the loss of freedom suffered by Russian workers under a system of state ownership of the means of production.[12] In Germany the First Socialization Commission, with the approval of the Heidelberg Conference of 1925, rejected bureaucratic state socialism and advocated a socialization restricted to the monopolies and near-monopolies. This thesis has won wide acceptance today in German Socialist

[11] Manfred Buettner, "Motive und Methoden der deutschen Sozialdemokratie," *Die Zukunft*, Vienna, December 1948.

[12] Harry W. Laidler, *Social-Economic Movements*, New York 1947. Franz Rotter, "Verstaatlichung-Ein Fortschritt?", *Das Sozialistische Jahrhundert*, March 1947.

circles but is opposed by other solutions of the problem of socialization which vary only in degree.

For example, the "Free Socialists" of Heidelberg, Professors Alfred Weber and Alexander Mitscherlich, lay stress on group feeling and advocate mixed enterprises with employer-employee participation.[13] The Socialist proposal for the socialization of the coal mines in North Rhine-Westphalia, which was rejected by the British Military Government, provided for a public law corporation and a coal council representing the trade union, the coal concerns, the state government, consumers and technicians. Similar plans have been drawn up by the Hesse Minister of Economics Koch.

While the discussion of socialization has evoked widespread interest in the Party, particularly in rank and file circles, the reaction to it in the Party bureaucracy is a mixed one. For many of the conservative regional officials, there is only a programmatic conformity of the traditional character. The Schumacher entourage, on the other hand, seems to adhere to socialization as an honest conviction. It realizes, as Schumacher has emphasized on several occasions, that the future political structure for Germany will be fixed by the evolving economic pattern of the present. It is for this reason that the Socialist leadership has reacted so strongly to the British veto of the North Rhine-Westphalian socialization law and to General Clay's rejection of the same type of measure in Hesse.[14] Law Number 59 of AMG, which calls for the return of certain enterprises to their former owners, has also been attacked because it, too, interferes with German plans for socialization.[15] Finally, the pressure from the rank and file imposes a program of social change upon the Party. Under the existing conditions of economic insecurity and growing nationalism, the Socialists are forced to compete both with the Communists and the extreme Right for the support of the German working class.

In the first two years of occupation, the relations between the Social Democratic Party and the British and American authorities were fairly satisfactory. At the time of the organization of the Socialist Unity Party, when pro- or anti-Communism was the most important issue in Germany, the British pursued a deliberate policy of building

[13] Alfred Weber, "Demokratie-Planwirtschaft und Sozialismus," *Neuer Vorwaerts*, October 9, 1948.

[14] General Clay's explanation that socialization was a matter to be decided by a future German government has been interpreted by some observers as part of an American effort to freeze the German economy in a free enterprise mould before a western German government is organized.

[15] *Neuer Vorwaerts*, February 5, 1949.

up the SPD as a trustworthy anti-Communist force. American Military Government gave its moral support to the anti-merger forces in the Berlin SPD. But the Socialists soon became aware of the dangers inherent in this close cooperation. The acceptance of administrative responsibility, without a change in economic and social institutions consistent with the stated aims of the Party, was a source of embarrassment. It reminded too many people of the Social Democratic role after 1918.

At the Cologne Conference of September 1946, the Party developed the policy of noncooperation in government unless the Germans were granted a specific degree of sovereignty. Though the Socialists have continued in coalitions in the Laender governments, their participation on the bizonal level and in the Parliamentary Assembly has become more and more reluctant. In February 1948, for example, the Socialists refused to have anything to do with the executive committee of the bizonal organization because of "the increasingly reactionary social and economic policies of the Christian Democratic Union." The real reason for the noncooperation seems to have stemmed from the conviction that under US guidance only traditional capitalist solutions of economic and social problems would be allowed. This meant indefinite postponement of socialization and rejection of works council co-determination in industrial operations. This attitude resulted in the election of a conservative executive committee of the bizonal organization.

From the very beginning of the discussions about a government for post-war Germany, the SPD was a firm champion of a centralist parliamentary government. This insistence upon gaining more central authority than was permitted by the Allies involved far more than adherence to a traditional theory of government. The fate of the Socialist program of social and economic reform was involved and the Party leadership believed that the chances of winning acceptance of this program would be greater if the responsibility were vested in the central government rather than in the legislatures of the states. It was believed that successful operation of the program would require complete acceptance and uniformity, which certainly could not be achieved if the decision were left to conservative Bavaria and the other states of southern Germany.

In line with these convictions, the SPD has manifested an extreme sensitiveness on all questions involving industrial organization; their

attack upon the Ruhr Statute was sharper than that of any other party; the fear that the Occupation Statute foreshadowed continuing Allied interference in economic matters produced only moderate enthusiasm for that document.

The Socialist demarche of April 20, 1949 by which the Hanover Party caucus repudiated the draft constitution of the Bonn Assembly, represented a last moment attempt to force some modification of the federalist pattern for Western Germany. While the final outcome of protracted inter-German and German-Allied negotiations did not fulfill all SPD hopes, the draft constitution as finally evolved did make some concessions to Socialist desiderata. The participation of the Bundesrat (Upper House) in the legislative process was whittled down somewhat. Authority in financial matters, although formally in many points left to the Laender, has been substantially centralized through a tight system of federal control.

A continuing division of Germany, affects the SPD more unfavorably than its middle class competitors. Within the framework of a west German society, the Socialists cannot hope to win an absolute majority. This is why the Socialists had to insist upon proportional representation as the basis for elections, in the discussions preceding the adoption of the Bonn constitution. Their failure to win acceptance of this method of voting will probably limit the Party's strength in the new assembly to from 30 to 35 percent of the elected deputies. In addition, the necessity of continuing American aid in the form of ECA subsidies or private capital investments militates against profound changes in the social structure of Germany as evolved in the last three years. Thus, within the framework of Western Germany, SPD prospects are not too encouraging. It will continue, as a democratic labor party, to fight for increasing the share of the workers and white collar groups in the social product. It will continue also to press vigorously, in competition with neo-nationalist groups, for a favorable resolution of the eastern frontier issue. The Party will be forced to defend its program of a democratic collectivist order based on the dignity and personal freedom of the individual both against Communist and neo-Nazi onslaughts. The unification of Germany in the forseeable future would brighten the outlook for the SPD, improve its political position and increase the freedom of movement of German political and economic forces against the occupying Powers.

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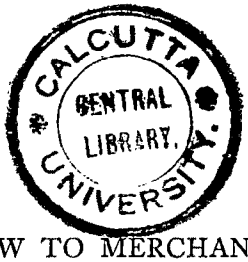

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HOW TO MERCHANDISE FOREIGN POLICY

I. BRITISH LOAN AND GREEK-TURKISH AID

by WILLIAM L. NEUMANN

Congress now has a larger role in relation to foreign policy than at any previous time in its history. There has always been, of course, some control by Congress over foreign relations. The Senate has, by virtue of the Constitution, the power of rejecting treaties. But these checks have been seldom applied and in many instances the president has been able to circumvent opposition in the Senate by making executive agreements. The House has also had some control over policy through its hold on appropriations, but this control has rarely been crucial. Today, however, American foreign policy requires money. Large appropriations have been necessary to carry out the overseas programs of the Truman administration. Congress, as a result, has become the final authority, and congressional willingness to vote millions, even billions, on request has become a vital matter for the policy makers.

The enlarged role of Congress has also enlarged the area of exchange between the executive and the law-making body. Congressmen must not only be wooed into supporting the President's domestic legislation, but his foreign legislation as well. As a result there has been a marked increase in the amount of "educational" work carried on by the administration for the benefit of Congress. Although this type of activity is not legally classified as lobbying, its purpose is the same—selling Congress on the merits of proposed legislation. State Department personnel as well as top-ranking military men have, in line of duty, testified before congressional committees in behalf of legislation. Conferences are held between government officials and individual congressmen over administration-sponsored bills. Alongside the private lobbyists, administration spokesmen now present their arguments in support of the proposals made by the executive departments.

The success of this "educational" work has been phenomenal. The 79th, 80th and the 81st Congress have appropriated some $23 billion for foreign aid up to September 1, 1949, and authorized the most

extensive series of international operations ever conducted by any nation in time of peace. Through the Greek-Turkish Aid bills, the Rio Pact and the North Atlantic Pact, the United States has been committed directly or indirectly to the defence of almost three-fifths of the earth's surface and one-third of its people.

Some of the credit for the passage of the Truman programs must go, obviously, to the Kremlin against which most of the expenditures have been directly or indirectly aimed. Credit must also be given to the political opposition for their acceptance of the "one-party" or bipartisan system on major foreign policy issues. With only scattered and disorganized opposition the passage of the presidential legislation was greatly simplified. But even granting full credit to these factors, the merchandising ability of the administration leaders must still receive high rating.

The relationship between the executive departments and Congress in the promotion of legislation has unfortunately been given too little attention by students of government. Only on a party politics level have critical statements been made about this type of government activity. Since a federal law passed in 1919 forbids the use of federal funds to influence members of Congress in respect to legislation, formal treatments of legislative processes tend to ignore the existence of government lobbying. Yet, in respect to foreign as well as domestic legislation, "educational" activities by government departments have become a normal part of their relations with Congress. Students of American foreign policy must, therefore, give more consideration to this area of operation.

Obviously there are many of the activities of the executive departments in their relations with Congress which are not easily examined. Personal calls on congressional leaders by government officials and the use of party pressures and patronage are often vital in shaping some congressional decisions. By their nature these actions are not susceptible to evaluation with any degree of accuracy. It is possible, however, from the statements made by administration spokesmen at congressional committee hearings to sketch at least some tentative conclusions in regard to their method of operation. The material presented below attempts only this and to suggest an area for more detailed research.

The statements made to Congress by "salesmen" of the executive departments in behalf of the major foreign policy programs from

1946 onward—the British Loan, the Greek-Turkish aid, the E.R.P., The North Atlantic Pact, and now the Military Assistance Program —use arguments falling into four categories. With some variety in detail the content of all appeals can be grouped under these headings.

There are first the Dire Consequences statements. Congress is presented with the threats of what will happen if it is not prompt in passing administration measures. For the most part, these Dire Consequences are linked with the behavior of the Soviet Union, past, present and future. This line of argument has been carried so far and repeated so often that a former spokesman for the Roosevelt administration, Archibald MacLeish, now charges that America's foreign policy is made in Moscow and that the administration merely tries to mirror in reverse the policies initiated by the Soviet Union.[1] But constant repetition of the threat of advancing Communism serves to stifle most criticism of any legislation offered on a "stop-Communism" platform. In at least one instance, as revealed by the Hoover Commission, the Dire Consequences were made more vivid by the production of a false crisis. Alarmist statements based on mistaken intelligence reports were permitted to reach newsmen who were happy to transform these statements into scare headlines.

There are other instances, however, in which the ominous results of failure to pass legislation did not involve the Soviet Union. In the case of both the British Loan and the European Recovery Program, the threat of world economic disorder and of the consequent loss of America's export business was also offered by sponsors of the bills.

The second category of argument is that of Great Expectations. Each measure is presented to Congress as a program so well planned that it borders on being a panacea for the world's major ills. Salesmen always tend to exaggerate the quality of their wares and to give optimistic estimates of their future performance. But the selling of a foreign policy program differs from the sale of automobiles or washing machines. The complexity of the world makes prediction very hazardous. Specialists in world affairs tend to be cautious in their estimates of the effects of any action on the future. Nevertheless, government officials seldom show embarrassment in adopting the role of a seers, and very optimistic seers at that. Nor has the nonperformance of any of the earlier programs led to any sustained sceptic-

[1] "The Conquest of America," *Atlantic Monthly*, August 1949.

ism on the part of the congressional buyers. New Russian moves can always be intrepreted as upsetting calculations and a new program is then offered to remedy the weaknesses of the old.

The Great Expectations arguments have also developed a very simple measuring stick for Congress and the public. "What is bad for the Russians is good for the United States," runs this line of thought. If the Moscow radio attacks the legislation under consideration, its proponents feel that they have an almost perfect argument for its value to this country. The possibility that measures criticized by Moscow might also be criticized by anti-Communist Americans for *other* reasons has been generally ruled out. Such critical lines of thought, not using the Russian yardstick, only disrupt the black and white simplifications upon which this sales talk is constructed.

The supplementing of one program by another has led to a third category of exposition, the Inevitable Next Step. Sometimes spoken of as Protecting Our Investment, this appeal pleads that the present program is necessary for the success of the preceding program or programs. The British Loan was necessary to keep the Bretton Woods agreements in operation while the Greek-Turkish aid program relieved Britain of responsibility and released funds for the solution of Britain's domestic problems. From aiding Britain, Greece and Turkey, it was but a step to extending that aid to all European nations with non-Communist governments. (What might have happened to the Marshall Plan if the Soviet Union and its satellites had cooperated will forever be a subject for fascinating conjecture.) With the European Recovery Program in action, it was found that increase of production required that the participating countries be given some psychological security. Hence the North Atlantic Pact. But now that the North Atlantic Pact has been ratified, its sponsors claim that it has little meaning without the Military Assistance Program to put teeth into the Pact. From the M.A.P., the Inevitable Next Step appears to be a Pacific Pact. What step follows the "pacting" of the entire non-Communist world only pessimists dare suggest.

The last category of argument is an old one, used for over a century in the promotion of domestic legislation. It is based on the

principle that the success of legislation is assured to the extent to which it promises rewards to the special interests which are found in congressional districts. If the variety of special interests touched on is great enough, then it is likely that there will be enough votes to assure the draft bill becoming a law. Thus it is advisable to find in each measure—or write into it, if necessary—some features which can be interpreted as helping farmers, manufacturers, exporters, etc.

The brief listing, which follows, of the specific appeals made under these four categories is in no respects complete. Nor is it intended to suggest that all arguments grouped in this form are false or directed only to winning congressional support.

The British Loan

Although the salesmanship ability of the Truman administration reached a high in performance with regard to the Marshall Plan, some of the most successful techniques were already applied during hearings on the British Loan in 1946. At that time a number of the stock approaches were tested before congressional audiences.

Congress and the nation as a whole had not yet reached in 1946 the state of nervous anxiety over the behavior of the Soviet Union which was achieved by 1949. Surprising as it may seem today, at the time of the British Loan a one billion dollar grant to Russia, requested by that country in September 1945, was discussed by the Senate Committee on Banking and Currency without any marked emotional reactions. The Dire Consequences pleaders could not therefore, concentrate on the spread of Soviet power as effectively as they did the following year. The possibility of Britain going Communist as a result of economic chaos—an argument which might have appeal today—was not even mentioned. Instead the threats were all related to the future of world trade and of American business.

Secretary of Treasury Fred Vinson, testifying before the Senate Banking committee in March 1946 predicted that failure to give Britain a loan would have tragic results for the United States. Unaided by American dollars, said Vinson, Britain would be forced to develop its sterling bloc and to exclude the trade of the United States, Canada and other dollar areas. In turn, the United States would be compelled to form its own trading bloc.

> "Two rival blocs would mean economic warfare. Probably we would win, but it would be a pyrrhic victory. World trade would be destroyed and all countries would suffer. . . . We would find our trade decreased and our people unemployed." [2]

This gloomy picture was supplemented by William Clayton, Assistant Secretary of State, who reminded the committee of the great slump in foreign purchases of raw materials and farm products after World War I. "We are going to try hard to avoid that this time," he said, listing all the major items which the United Kingdom purchased from the United States in 1937. "It would not be pleasant to contemplate a reduction by three-fifths in those orders, say in the year 1948," warned Clayton. The Secretary also said, with some assurance, that without American assistance Britain would withdraw from the Bretton Woods agreement, causing the entire structure of that economic arrangement to collapse.

Against this ominous background the Secretary of the Treasury and the Assistant Secretary of State were able to make a striking contrast with their picture of the effects of the loan legislation. Using the Great Expectations approach, Vinson envisioned the Loan as committing Britain to an American program of "fair currency" and to trade practices which would enable the United States to expand its exports. The dollars themselves, he said, would be used largely to buy goods directly from the United States while the remainder of the money would return in the form of purchases from members of the sterling bloc.

Both Secretaries repeatedly rejected the implication that the Loan was in any sense a gift or grant to Britain. It is "a cold-blooded business proposition," said Mr. Clayton, reminding his audience that it was to be repaid with interest. Mr. Vinson, to show that the measure was not economically disadvantageous to the United States, quoted extensively statements made by opponents of the agreement in Britain. He said that it was attacked as being "the Boston Tea Party in reverse," opening the way for the United States to capture all the British markets and to reduce Britain to the status of a "small third class power." The Secretary of the Treasury did not, and could not, say that this *would* be the result of the Loan, but the implication was offered to those selfish enough to take it.

[2] *Hearings on S.J. Res. 138*, 79th Congress, 2nd Session, p. 14.

Mr. Clayton displayed great optimism throughout the hearings. When questioned on the length of time for which aid to Britain would be necessary, he replied:

> "We figure that in 1949, and she figures that in 1949, she will be in equilibrium with the rest of the world. She expects then to be paying her own way. She is strong and can engage in multilateral trade." [3]

When Senator Radcliffe asked if that statement was "not a mere wish," Mr. Clayton told him that the Department specialists had "a good grasp of the whole situation." But Britain received the Loan and later Marshall Plan aid as well, and still found herself in 1949 in a financial crisis.

In the fourth category of appeals must be placed the claims for what the Loan would mean to specific export interests. A number of commodities were mentioned by the official spokesmen the sales of which were expected to be increased by means of the credit to Britain. Cotton and tobacco, two commodities close to the hearts of many congressmen, were especially stressed. Senator Capehart suggested that specific commodities to be purchased might be written into the bill, but Clayton shied away from this commitment. He did tell the Senator, however, "You could be sure of some tobacco." American manufacturers who might be afraid of British competition were also given assurances by Clayton that "very little" of the money would be used by Britain for "reconstruction or reconversion or rehabilitation or for modernization of industry."

The Inevitable Next Step argument was used to some extent in tying the Loan to the Bretton Woods agreement. Mr. Clayton told the Senate Committee that it was generally understood that British acceptance of the financial agreement would be followed by a loan from the United States. Senator Taft, however, reminded the Committee that at the time when they were considering the Bretton Woods agreement they were told a different story. According to Taft, whose recollection was not disputed by his colleagues, Mr. Harry White of the Treasury Department had assured the same committee in executive session that the British financial situation was not serious and that no loan had been requested or contemplated.

[3] *Ibid.*, p. 131.

Senator Taft also suspected that passage of the British Loan legislation might call for future actions of a similar nature. "My principal difficulty about voting for this $4,000,000 loan is that it will be used as an argument for everything else done in the United States," the Senator told Mr. Vinson. The latter, however, told the committee that, "the credit to England is in no way a precedent for other loans."

Greek-Turkish Aid

The British Loan was ratified by Congress in July 1946 and in the months that followed the administration worked, with little success, on domestic legislation. Beginning with President Truman's message to Congress on March 12, 1947, in which he recommended immediate aid to Greece and Turkey, a new drive began for foreign policy appropriations. Once more officials appealed to Congress for votes on a measure essential to the Truman program.

The Dire Consequences pictured by Dean Acheson and other officials in selling the Greek-Turkish program were the impending economic collapse of Greece following the withdrawal of British aid. The Under Secretary predicted that the guerrilla forces in Greece, as a result of economic collapse "would undoubtedly increase in strength until they took over Greece and instituted a totalitarian government."[4] At the time that Mr. Acheson was speaking in March 1947 he estimated these guerrillas as totalling about 13,000. But instead of their numbers decreasing after the passage of the aid bills, they grew to some 22,000 by September 1948, despite reported losses since January of that year of over 13,000 killed and 12,500 captured.[5] Since there has been no large influx of foreign volunteers, it is obvious that in the 15 month period for which the aid program was originally planned, American dollars failed to prevent the rise of armed opposition to the existing Greek government.

The threat of the Soviet Union was kept in the background in the Greek-Turkish Aid hearings. When Senator Pepper asked Mr. Acheson if the real purpose of Greek aid was not to keep that country from being "communistically controlled," the reply was "No." Acheson said only that the danger came from "an armed minority" within the country. Under Secretary Clayton made the same point,

[4] *Hearings on S. 938*, 80th Congress, 1st Session, p. 5.
[5] *Fifth Report to Congress on Assistance to Greece and Turkey*, (Washington, G.P.O., 1948), p. 6.

speaking only of "internal security" as a problem and making no charge of foreign aid to the guerrilla forces.

Mr. Clayton also mentioned in respect to Greece a threat which had been raised in the hearings on the British Loan. In a discussion with Senator Thomas of Utah, Clayton suggested that without aid Greece might adopt stringent economic measures to control its trade balances. "If these countries and other countries should adopt closed economies, you can just imagine the effect that it would have on our foreign trade," he said. After mentioning that over $3 billion of America's yearly exports were made up of farm products, he told the Senator, ". . . you can just imagine what would happen if we would lose half of these exports, for example." [6] The Under Secretary of State was apparently thinking of the rest of Europe as well and jumping the gun on the arguments for the Marshall Plan when he went on to say that it was "essential to our economy in this country that we do everything we can to retain those export markets."

In respect to Turkey the administration found it more difficult to get Congressmen to see the threats involved. The President in his address to Congress had said that Turkey needed American support, but he was vague about the nature of that need and the reasons behind it. It appears that Turkey was included as a "package deal," wrapped in the same parcel as Greece, but with almost all attention being given to the Greek situation. As Congressman Mundt pointed out to Mr. Clayton after his testimony before the House Committee on Foreign Affairs, Clayton's statement which dealt at length with the plight of Greece devoted only two paragraphs, or less than 300 words to Turkey. For 300 words Congress was being asked, said Mr. Mundt, to appropriate one hundred million dollars. At $333,333 per word, the Congressman felt that a more detailed picture should have been given of Turkey's needs.

Acting Secretary Acheson went into no greater detail than Mr. Clayton in his prepared address to the committees, and only mentioned that Turkey was unable to balance its budget because it had to maintain its military strength at a high level against "outside pressures." The nature of these pressures was not freely discussed by the State Department in the open hearings, but hints were given of Russian threats to the Turkish Government. This was too vague for even

[6] *Hearings on S. 938*, p. 81.

some of the political supporters of the administration. Representative Helen Douglas asked Mr. Acheson,

> "I want you to explain this word you call pressure. What is this pressure? Is it a nebulous thing, something that we only imagine will be existing in the future, or do we have proof to show that there is pressure at this moment." [7]

The Acting Secretary made no direct response.

There was nothing in the information given Congressmen which would prepare them for the almost unsurmountable obstacles to Greek economic and political recovery. Acheson said that he "hoped" that Greek aid would be successful in 15 months in enabling Greece to reach a satisfactory trade balance, and to leave its other problems to be solved by the International Bank. This hope was echoed by Mr. Clayton who went further and predicted that within a year conditions would have changed for the better in Greece. Yet after a year and a half of American aid, a reputable correspondent could report from Athens on the "sagging morale of the army and the people due to unbearable living conditions." [8]

A part of the Great Expectations were the promises in regard to the United Nations. Some of the strongest opponents of the Greek-Turkish Aid bill were those who charged that it was by-passing and thus weakening the United Nations. Acheson said instead that it was actually strengthening the U.N. He told his critics that in the long run the United Nations might be able to take over various parts of the program and that the State Department was then giving "serious study" to the ways in which the U.N. "could take hold of this problem after the present emergency is past."

The proponents of the Aid bill were careful to check the impression that the Truman Doctrine might soon lead the United States into giving similar grants to a number of other nations. Secretary Acheson told Senator Hickenlooper that there was no implication that a pattern was being set for sustaining other "free governments," with the exception of Korea. Mr. Clayton in reply to a query on the same point, said that other nations' needs, excepting Korea, would be handled by the normal activities of the Export-Import Bank and the

[7] *Hearings on H. R. 2612*, p. 46.
[8] *New York Times*, December 27, 1948.

International Bank. When questioned about the state of other European nations, Mr. Clayton reached the heights of optimism.

> "I assure you that with many countries that I can name to you—Italy, France, Belgium, Holland—those came to my mind immediately, and all those countries have made progress in the last 18 months in their industrial production, in their agricultural production, in reconstruction, and in all those economic respects. They have made very great progress." [9]

Three months later Secretary of State Marshall was calling for a vast program of American aid to enable those countries which had made "very great progress" to solve basic problems of industrial and agricultural production and of reconstruction.

[9] *Hearings on S. 938*, p. 88.

"From ERP to MAP," the second installment of this article on foreign policy salesmanship, will be carried in the next issue.

A Turkish View of American Aid

"If Turkey lacks both real military strength and economic stability, the blame lies not with 'the Russian menace,' but with the unreformed evils within her own social system. Errors and failures in the military field are not the only operative causes of the pitiable results which application of the Truman Doctrine to Turkey has achieved. Nor are they the only reason for the growing antagonism felt by the Turkish common people to American intervention in support of President Inönu's Government. They are to be sought also in the unrelieved tragedy of Turkey's political and economic situation."

ASLAN HUMBARACI in
The New Statesman and Nation

THE MEANING OF THE GERMAN ELECTIONS

The recent parliamentary elections in Western Germany deserve careful study as an indication of trends in a country which is of crucial importance to the future of Europe. The two interpretations of the German elections presented below are complementary. Dr. Robert C. Schmid, former Chief of the research branch of U.S. Military Government for Germany, analyzes the recent elections in their historical perspective. Harold O. Lewis, research associate of the Foundation and author of "New Constitutions in Occupied Germany," explains some technical points of the electoral system which influenced the result of the elections. He also examines the immediate prospects of German government in the light of the constitutional provisions in force and the known programs of the main parties.

THE GERMAN ELECTIONS IN PERSPECTIVE

by ROBERT C. SCHMID

The interest which Western political observers have shown in the recent elections in Western Germany attests once more to the pivotal role which Hitler's ex-Reich continues to play in international life. Defeated, occupied, devastated, partitioned, unreconstructed ideologically, Germany nevertheless remains what it has been for the last 80 years—the industrial heart of Western Europe, whose state of political health inevitably affects every other nation in the world.

The German political problem is not as simple as most commentators would have us believe. The fact that German political leaders bitterly attacked the Western Powers, pounded violently on the bass-drum of nationalism and in general behaved the way campaigning politicians usually do, received too much attention from the world press. By way of contrast, the results themselves are extremely instructive, particularly when seen in the context of German political trends since the early days of the Weimar Republic.[1]

[1] The two tables presented here were derived from data covering elections for the Third Reichstag in 1924, the Fifth Reichstag in 1930, the Eighth Reichstag in 1933, the Western German State Parliament elections in 1947, and the recent Western German Bundestag elections. All data apply to the present areas of Western Germany. The percentages in Table II are based on the figures in Table I. Pre-1933 data are from Wilhelm Dittmann, *Das Politische Deutschland vor Hitler*, Europa Verlag, Zurich, 1945.

Table I

NUMERICAL STRENGTH OF POLITICAL PARTIES IN WESTERN GERMANY
1924-1949

	May 1924 3rd Reichstag	Sept. 1930 5th Reichstag	March 1933 8th Reichstag	Nov.-Dec. 1946-April 1947 State Parliaments	August 1949 West German Parliament
Nazis	428,024	3,212,025	8,688,217		
Nationalists [1]	2,381,636	750,456	1,298,437		
Conservatives [2]	1,480,308	907,631	240,705		
Splinter Groups	1,361,204	2,751,663	484,469	949,068	4,558,189 [4]
Catholic Center [3]	3,987,847	3,945,522	4,143,465	7,153,880 [5]	8,084,922 [5]
Liberal Democrats	988,481	630,291	168,554	1,584,346	2,788,653
Social Democrats	3,712,055	4,092,226	3,452,096	6,089,541	6,932,272
Communists	1,253,349	2,088,084	2,304,929	1,634,545	1,360,443
TOTAL VALID VOTE	15,592,904	18,377,898	20,780,872	17,411,380	23,724,479
No. Eligible Voters	20,587,966	22,787,046	23,693,576	26,162,743 [6]	31,179,422
Per Cent Voting	76	81	89	67	76

[1] *Deutsch-nationale Volkspartei*—extreme rightist party dominated by upper aristocracy, *Junkers*, and the military.

[2] *Deutsche Volkspartei*—backed by heavy industry and high finance.

[3] Including Christian Democratic Union in 1946-47 and 1949.

[4] Broken down as follows: Bavarian Party, 986,606; German Party, 940,088; Economic Reconstructionists, 681,981; Rightist Party, 428,949; Freedom Party, 217,627; Refugees Association, 292,263; Independents and local factions, 1,010,675.

[5] Center Party tallied 593,503 in 1946-47; 727,343 in 1949.

[6] Several million former Nazis, forbidden to vote in 1946-47 elections, were admitted to the electorate in 1949.

Table II

RELATIVE STRENGTH OF GERMAN POLITICAL PARTIES—1924-1949 [1]

	MAY 1924		SEPT. 1930		MARCH 1933		NOV.-DEC. '46-APRIL '47	AUG. '49
	West Zones Only	All Germany	West Zones Only	All Germany	West Zones Only	All Germany	Western Zones	Western Zones
Nazis	3	3	18	18	42	44		
Nationalists	15	21	4	7	6	8		
Conservatives	9	10	5	5	1	1		
Splinter Groups	9	8	15	14	2	2	6	19
Catholic Center[2]	26	17	21	15	20	14	41	34
Liberal Democrats	6	6	4	3	1	1	9	12
Social Democrats	24	26	22	25	17	18	35	29
Communists	8	9	11	13	11	12	9	6
Per Cent	100	100	100	100	100	100	100	100

[1] Figures in the table are percentages of valid vote.
[2] Including Christian Democratic Party in 1946-47 and 1949.

Concentrating for a moment on the Weimar era, as pictured in the tables, one notices two things immediately: the numerical stability of the center and left parties, and the great lurching growth of the Nazi Party. The Catholic Center, Liberal Democrats, Social Democrats, and Communists not only held their own during the ten years from 1924 to 1933, but actually increased their combined *numerical* strength. But during the same period their share of the total vote dropped from 64 to 49 per cent, while the Nazis' leaped from three to 42 per cent. The explanation for this paradox is two-fold: Hitler picked up two-thirds of his supporters from among the nationalist, conservative, and splinter groups, but the crucial one-third of his strength came from the ranks of the non-voters. National Socialism's victory at the polls in 1933 was, therefore, only partly the result of successful wooing of voters from the normal electorate. To an important degree, Hitler owed his following to that sluggish segment of the population which can be moved to the polls only in an emotion-laden, crisis situation. Once at the polls, this group seems to have voted, almost to a man, for the party which was providing the bulk of the excitement.

Much has been made of the high participation in the August vote. Secretary of State Dean Acheson, in a post-election commentary, pointed to the "unexpectedly large participation of nearly 80 per cent of eligible voters" as "gratifying evidence that the Germans have

taken seriously their new civic responsibilities." In addition, Mr. Acheson remarked, "the results of the balloting . . . represent a triumph for moderate parties which are fully committed to the democratic political system." Unfortunately, there is little evidence to support any of these claims and much which points to the opposite conclusions.

The turn-out of the electorate, for example, can hardly be described as "unexpectedly large." The first elections after World War I, called to elect a national assembly in 1919, brought out 83 per cent of the eligible voters. In the eight national elections which followed, the percentages were the following: 79, 77, 79, 76, 82, 84, 81, and 89.[2] Since the largest participation of the German electorate in a national election occurred in 1933, when Hitler received 44 per cent of the votes, we should perhaps be delighted that the German voters did *not,* this time, take their "new civic responsibilities" too "seriously." [3]

As will be shown in detail later, it is likewise premature, to say the least, to assume that the political balance which will be struck after this election will be a "moderate" one, or that the forces coming to the top are "fully committed" to democracy. Indeed, it would be fair to conclude from the August results that anti-democratic elements at both extremes of the political spectrum already control 25 per cent of the total vote, and that the trend is clearly against the center or moderate parties.

WESTERN GERMANY BEFORE 1933 AND AT THE END OF THE WAR

In Germany as a whole, the largest single party, from 1919 until 1932, both in actual votes and in parliamentary representation, was the Social Democratic Party (SPD). In what is now Western Germany, however, the Catholic Center Party was the strongest; both the SPD and the Communists, on the left, and the Nationalists *(Deutsch-Nationale)* on the right, were weaker in the west than in the nation

[2] Figures are for Germany as a whole, taken from Dittman, *op. cit.* Breakdowns for individual voting districts, which made possible a summary of the vote in what is now Western Germany, were given only for the 5th and subsequent Reichstag elections.

[3] Most newspapers gave the August election participation as 78.5 per cent. Actually, the ratio between *valid* votes cast and eligible voters was .76. The larger figure comes from counting total votes cast, including invalid votes, which produces a higher but less reliable figure. Discussions of the August balloting have largely ignored the question of invalid votes. In "normal" election years invalid votes have little significance, since they represent errors and carelessness. In the present case, it is known that neo-Nazi and other rightist elements had conducted an underground campaign urging sympathizers to void their ballots with a "large red X." In all probability, at least half of the 767,000 invalid votes cast in August could be credited to the right extremists.

at large (Table II). Pre-war western Germany, therefore, if it had any clear-cut political character, was middle-of-the road. At the end of the war this situation changed perceptibly. When the Red Army moved in to conquer and then to occupy Eastern Germany, millions of Germans moved to the west. Less well known, but no less important, is the fact that this exodus—which is not identical with the expulsion of Germans from territories taken over by Poland and Czechoslovakia—was partly political in character; hundreds of thousands of Nazis, nationalists, and conservatives of all shades emigrated to the west at this time, while the eastern German Communists and socialists stayed on to greet the victorious Soviet troops. Thus, the political equilibrium which had existed in the West before Hitler was shifted to the right after V-E Day. Parenthetically, the Russians were left in charge of an area of Germany which, by virtue of what they would no doubt call "historical forces," had taken on a leftist hue before a single political pamphlet had been printed.

In terms of their past voting behavior, therefore, the Germans physically present in the Western zones after the end of hostilities added up to something right of center; but the political climate they lived in was something else. For a number of reasons, including notably the role of Communists and Socialists in the European underground movements and the unprecedented gravity of the economic and social situation, Europe was swept, at the end of the war, by a wave of socialist successes. England voted in a labor government; France, Italy and the Low Countries were dominated by left-wing groups, and in general, some form of democratic socialism seemed about to be accepted throughout Europe. Even in the American Zone of occupation, in the State of Hesse, the Social Democrats began nationalizing industries and otherwise preparing for the millenium. Political observers agreed that the trend was to the left.

THE LANDTAG ELECTIONS IN 1947

The Western German state-parliament elections in 1947 failed to bear out these, or, for that matter, any other predictions. The political profile which emerged after this balloting—carried out, to be sure, at different times and under different rules in the three western zones—was a curious one.[4] As the tables show, 84 per cent

[4] It will be noticed that only 67 per cent of the electorate took part in these elections. The primary reasons for this low turn-out were (a) the fact that the elections were local, not national, and (b) that the balloting was held during or just after the bitter winter of 1946-47 when the desperate quest for food and fuel drove political affairs far into the background of public interest.

of the votes in 1947 went to three parties, all of them "democratic" —Christian, Socialist, and Liberal. Of these, the Christians and the Socialists accounted for 41 and 35 per cent, respectively. On the left, the Communists mustered nine per cent—only slightly below their pre-war average—and a covey of right-wing splinter groups added up to six per cent. It was immediately clear that these elections permitted only one generalization: the Western Germans were taking no chances. Thronging en masse to the harmless and bloated Christian and Social Democratic camps, they made their presence known, but no more.

THE BUNDESTAG ELECTIONS, 1949

By August, 1949, German voters had begun to make up their minds, or more accurately, they dared vote the way they felt. The result was a clear turn to the right. The Communist Party lost three per cent, the SPD dropped six per cent, and the Christian Party dwindled by seven per cent. Right-wing splinter parties, on the other hand, rose from six to 19 per cent while the Liberal Democrats added three per cent.

At this point, comparisons with pre-Hitler party strength again become instructive. From Table II it is apparent that the Communist vote in 1949 cannot be far from the party's true strength. Always weak in Western Germany, the Communists never rose above 11 per cent before the war, and it is highly unlikely that they will do better under present circumstances. The SPD, with 29 per cent, is undoubtedly still full of "water." Hopelessly committed to to a simultaneous battle against two arch-enemies—the Communists and the Right—the Socialists, it is safe to assume, will be whittled down in future elections to their proper size, somewhere between 20 and 25 per cent of the electorate. By becoming even less socialist than it is now, which would be rather difficult, the SPD might hold on to those of its supporters whose loyalty is based more on anti-clerical than on pro-Marxist grounds. But this type of voter is more likely to be found, in the first place, enrolled in the Liberal Democratic camp. Economic collapse and unemployment, likewise, will hardly strengthen the SPD. The experience of Weimar shows that in a depression, when radical moods grip the workers, it is the Communists who gain, and at the expense of the Socialists.

PROBLEMS OF THE CDU

The Christian Democrats are also marked for further decline. This party, while it is the heir of the Catholic Center Party, is by no means the image of that solid clerical machine which rolled so imperturbably through the uproar of the 'twenties. The CDU, in addition to a majority of Catholics, contains at present a great many Protestants who are impatiently looking about for another home; it harbors, as well, an important section of right-wing conservatives who are only marking time until they can decide which of the rightist parties holds the most promise. One of the largest of the splinter parties, the Bavarian Party, has already cut into CDU strength to the extent of 986,000 votes. Separatist and far to the right in orientation, the Bavarian Party consists primarily of Catholics who in any other state would be in the CDU. It will be remembered that in 1919 the Bavarian wing of the Catholic Center Party withdrew and went its own way as the "Bavarian Peoples Party." This process seems to have begun again, with the added fillip that, this time, many Bavarian Catholics seem quite prepared to secede from Germany altogether, setting up a Catholic monarchy. Another witness to the instability of the CDU is the *Zentrum,* a direct descendant of the pre-war Center, which polled 500,000 votes in 1947 and over 700,000 in 1949. In the present tables the *Zentrum's* votes have been merged with those of the CDU.

The "left wing" of the CDU is largely mythical; its only substance is the Christian Trades Union faction, headed by Karl Arnold, Minister-president of North-Rhine Westphalia. While left-winger Arnold did make an attempt, late in August, to persuade the CDU leadership to invite the SPD to join a coalition government, his reasoning betrays the motives behind the move. Forcing the SPD into the opposition, Arnold is quoted as saying, "might lead to radicalism very soon." It is likely that this "neither right nor left" thinking will in time come to dominate the Christian Party, as for a long time it dominated the Center Party before 1930. But this will only happen after the right-wing excess baggage, temporarily checked in the CDU fold, has moved on to more congenial quarters. Four years' time should see the CDU return to its pre-war position, slightly stronger than the SPD, but encompassing no more than 25 per cent of the electorate.

The Liberal Democrats have only once before commanded such a large percentage of total votes; this was in 1919, when they polled 19 per cent. When the political struggle begins in earnest, it is difficult to see how these free-enterprise liberals can hope to survive the pressure which in the 'twenties forced them out of their own, into one or the other of the major parties to the right.

SPLINTER PARTIES

Finally, there are the splinter groups, characterized in this election by their right-wing tendencies,[5] and their impressive following. Although nine small parties and an undetermined number of "independents" (largely refugee candidates) were recorded, four of these factions (Bavarian, German, Economic Reconstruction and German Rightist parties) accounted for 3 million votes and 51 seats in the Bundestag. The Bavarian Party was discussed above with the CDU. The Economic Reconstruction Party, also a Bavarian phenomenon, polled 682,000 votes. It is led by the egomaniacal demagogue Alfred Loritz, whom even conservative Germans have labeled "neo-fascist." Loritz is under indictment in a German court on charges arising out of alleged irregularities in the sources of his party's copious funds. Both the German Party and the Rightist Party are outspokenly far-right in tone.

It is tempting to search among these aggressive factions for the tiny group which will one day pick up the nationalist ball and run with it in the style of the Nazis—tempting, but idle. The important point is that only four years after the collapse of the Nazis, four and a half million Germans, representing 19 per cent of the electorate, have formed a group of right-wing extremist parties almost any one of which could in the future, drawing on the restless thousands now temporarily billeted in the Christian and Social Democratic groups, assemble enough votes to dominate the political stage. The great reservoir of non-voters (23 per cent of the electorate) lies waiting.

While this discussion has focused on the nature of the German electorate, it remains true that the *Bundestag* just elected will function not in terms of voting strength of the parties but in terms of the distribution of seats. Owing to the peculiarities of the German

[5] Only one left-wing splinter group has appeared—the Socialist Workers Party (SAP)—which drew a handful of votes in Offenbach, Hesse.

proportional representation system, the parliamentary strength of the major parties is greater than their share of the total vote, while the small parties get even less representation than their voting strength would indicate. For the present, this means that the right-wing splinter groups, as a body, will have only 13 per cent of the seats although they polled 19 per cent of the votes, while the Christian Democrats, including the Center Party, will seat 38 per cent, as against a popular vote total of only 34 per cent. This slight difference may become important in the initial months of the regime, since it could permit the CDU to form a coalition with the Liberal Democrats and all but one—the mildest—of the right-wing parties. This will probably be the last time the proportional system works to the advantage of the "moderate" parties, since they are on the decline, and the extreme right is growing. Ultimately, it will be the latter which will profit by this technicality.

Fittingly enough, the eclipse of the Social Democrats in the German elections and their relegation to an opposition role took place the same week-end as the decision of the Belgian Socialists to leave the government and to oppose "with force if necessary" the return of Leopold to the throne. The only coherent Social Democratic force which still pretends to a share of governmental control on the Continent now is the French SFIO. The extent to which western Europeans no longer regard socialism as a necessary or even desirable political philosophy is probably an excellent, though indirect, measure of the growth of American influence in European affairs since the proto-revolutionary days of mid-1945.

GERMAN PARTIES AND THE BUNDESTAG ELECTIONS

by HAROLD O. LEWIS

The elections to the Parliamentary Assembly for Western Germany were the climax of long drawn out efforts on the part of the western Allies to bring some measure of political stabilization to the German territory under their jurisdiction. They complement the attempts at economic stabilization which the Occupying Powers and the German Bizonal Administration have sought to achieve through the inclusion of western Germany in ECA and through the reconstruction

of the German economy along capitalist lines. Attempts at both political and economic stabilization were necessary if Germany was eventually to assume a place as an independent state within the framework of western European democracy.

After a long and difficult debate, the Bonn Constitutional Assembly formulated the constitutional pattern of government and blocked out the election procedures. The elections of August 14, 1949, have led to a consolidation of the party structure in western Germany. The relative strength and importance of organized political power in the new assembly is reflected in three broad groupings of the 16 political parties which participated in the election. The Left consists of the Communists and the middle-of-the road Socialists: together they polled 35 percent of the total vote. The middle class bloc of the Christian Democratic and Christian Social Union, the Free Democrats, German Party, Bavarian Party and the Catholic Center won the highest number of votes—55 percent. The Right with 10 percent of the votes includes the Economic Reconstruction Party, the German Right Party and other splinter factions.

The election law provides for a combination of approximately 240 single member districts, where seats are distributed according to straight plurality, and 160 seats distributed according to a system of proportional representation. In order to qualify for an allocation of seats from the list on which proportional representation in the 11 regions of western Germany is based, a party must have obtained a minimum of 5 percent of the votes cast in a *Land* or have won a a seat by direct election. In addition, only those parties were allowed to put up reserve lists whose organizations were recognized as bona fide parties on a *Land* basis by Military Government. This system gave the two major parties a distinct advantage inasmuch as they were able to gain one seat for each 52-54,000 votes as compared to the 85-90,000 necessary to win a seat for the Communists.

Those parties, such as the Free Democrats, who won 5 percent or more of the votes in each of the regions or the parties of area concentration, such as the Center, Bavarian and German Parties and the Economic Reconstruction Association, fared about as well as they would have under a straight system of proportional representation. But the Bonn system worked to the disadvantage of the Communists and the German Right Party which were able to muster 5 percent of the votes in only a few districts. For the most part, the fate of

the independent candidates was worse. For example, the refugee candidates who did not have the backing of regional lists but received a total of 1.1 million votes, only succeeded in winning three seats.

The CDU and SPD emerged as the strongest parties although, as compared with the Landtag elections, their percentages of 31 and 29 respectively represent a decline of 6 percent for the former and 5 percent for the latter party. This reduction in strength was due to the increase in the number of new voters and to the emergence of new parties. For example, in Bavaria, the hitherto unrepresented Bavarian Party won 20.9 percent of the votes cast in that state. Also, the Free Democratic Party increased its vote in the entire western German State from 8 percent of the total in 1946-47 to 12 percent in the recent election.

The victory of the "moderate" parties in the election cannot be taken as evidence of any preference on the part of the German people for moderation and compromise. The explanation must be sought in certain objective conditions which prevail in Germany. In the first place, Military Government influenced the outcome through its power of licensing political parties and as a result of the decision to exclude the Berlin area from participation. Military Government's refusal to license refugee groups, for the most part rightist by inclination, on a state-wide level, checked a more pronounced swing to the Right. As a consequence of the licensing practice, mentioned above, the refugees were forced to vote either for the established parties, such as the Free Democrats and the CDU, or throw away their votes by supporting independent local groups. In Bavaria, most of the refugee votes went to the right wing Economic Reconstruction Association of Alfred Loritz. In other areas, the refugees voted for the Christian Democrats or the Free Democrats because the two rightist groups regionally are anti-refugee. If Military Government had allowed refugee parties to operate on a state-wide level many votes would have been lost to them by the middle class parties.

The exclusion of the western sectors of Berlin from participation in the election deprived the Social Democrats of about 15 additional seats in the new legislature as against 7 prospective seats for CDU and the Free Democrats. This preponderance of Social Democratic strength in western Berlin was shown in the outcome of the 1948 municipal election in which the Socialists won 63 percent of the total votes cast. The granting of regular representation, rather than

the 5 non-voting delegates as now provided for, would have made SPD the strongest party in western Germany.

The fact of capitalist stabilization, much more reminiscent of the Weimar Republic in 1924 than in 1919-20, helps to explain the trends in the election. Some influence may be attributed to the fact that industrial and banking circles have, as before, made substantial contributions to CDU and the Free Democrats. The Socialists enjoyed the moral and propaganda support of the trade unions, but they no longer have access to their funds. The trade unions are now officially neutral in politics.

An important question, as yet unanswered, is whether the middle class political groups are, in reality, middle class in the traditional sense, or whether they are potential candidates to be won by a future rightist movement. To the extent that the Socialists are unable to gain the influence lost by the Communists in western Germany, the political future of Germany will be decided by the right wing parties. The only exception to this trend would stem from the inclusion of Berlin and of eastern Germany with a consequent heavy left wing vote from those areas.

The election did not result in any single group winning a majority of the 402 seats in *Bundestag*. The Christian Democrat-Christian Social Union gained 139 seats and as the largest bloc is responsible for the establishment of a government. The formation of a government with the Socialists, who won 131 seats, cannot be realized because of basic disagreements over economic policy. Negotiations between CDU-CSU and the Free Democrats (52 seats) were initiated before the election and might result in these two parties forming the kernel of a coalition which to attain a majority must include at least one of the small parties as well. *Deutsche Partei* (17 votes) appears to be the choice if the other two agree to a formal coalition. This tri-partite bloc would control 208 of the 402 seats in the lower chamber. The Socialists would constitute the strongest opposition group.

The problem of forming a government, however, is not as difficult as it may appear to be. The Bonn Constitution provides that if no absolute majority can be won for a new government, the chancellor, and consequently a government, may be chosen by a plurality if the president is willing to subscribe to this procedure. This would seem to be an attractive alternative to the dissolution of the legislature and the holding of a new election. If the chancellor then asks for a vote

of confidence, though it is not constitutionally necessary to do so, a minority government, if only of the Christian Democrats and the Christian Social Union, would have no difficulty in winning enough support from the smaller political groups to the left of center. Once confidence is voted, the government need not be afraid of an overthrow. The constitution provides that, once formed, a government can be overthrown only by a majority which is able to form a new government of its own. Such a contingency cannot arise because of the incompatibility of the left and the ultra-right, the only two elements potentially able to take such a step.

The legislative program of a government whether based upon a plurality or a majority, seems secure. To realize this program, however, the government will have to consider the wishes of the "left," trade union wing of CDU. In such cases it will have the support of the Center, but on the whole legislation will represent the viewpoint acceptable to the Right. Thus, a program can be implemented which depends for its adoption upon majorities which will fluctuate in composition. And finally, because of the near impossibility of establishing an alternative government against the wishes of the CDU, this party will enjoy a stronger position than any Weimar government. There will be some resemblance to the government of the old Reich which was based on extra-parliamentary forces.

The Christian Democrats and the Christian Social Union form the core of the ruling bloc, but they are only connected by a loose working agreement. They are united on such issues as religious instruction in the public schools and the application of Christian teachings to government. The parties differ, however, on the subject of the relationship of the central government to the states. The Christian Democrats reject the highly centralized government espoused by the Social Democrats and favor a federal state. The Christian Social Union is a states' rights party reflecting the strong separatist tradition of the Bavarian peasants. On two separate occasions the parties have divided on this issue. The CSU delegates to the constitutional assembly voted against the acceptance of the Bonn constitution; the CDU approved it. Tension between the two groups arose, also, when the CDU refused to support CSU efforts to remove Bizonal Director of Agriculture, Schlange-Schoeningen, for failure to abolish price controls on Bavarian food exports.

al differences, particularly in the political and economic fields, ent within both groups. The left wing of the CDU, headed former CDU head in the eastern zone, Jacob Kaiser, represents atholic trade union tradition of Christian Socialism. The right wing, under the leadership of the titular head of CDU, Konrad Adenauer, adheres only programmatically to a belief in controlled capitalism.

Internal cleavages within the CSU have been so intense that they have threatened its very existence as a major party. In 1948, for example, Joseph Baumgartner, Minister of Agriculture in Bavaria, bolted CSU to head the conservative, clerical Bavaria Party. Fierce rivalry within the CSU continues between the right wing, now in the ascendancy and headed by Alois Hundhammer, and the faction dominated by Joseph Mueller. The former group differs in no great degree from the Bavarian Party. It is strongly separatist, Catholic and economically conservative. The other CSU group advocates stronger ties with the rest of western Germany, Protestant participation in party affairs and some restrictions upon a free economy.

The program of the Free Democrats departs from those of the other parties in two basic aspects; it favors a centralist government and advocates complete separation of church and state. Both tenets have been basic to German liberalism. In economic matters, however, the Free Democrats are the most vigorous proponents of economic individualism. This dichotomy in the Party's program, has led it to side with the Social Democrats on political and religious matters and with the CDU-CSU on economic questions.

The Center Party was organized by former members of the Weimar *Zentrum*—it is thus a Catholic party. On religious questions, the Center supports the CDU, but on economic and political issues it sides with the Socialists. The Party's advocacy of nationalization effectively excludes it from participation in a possible coalition government.

There is general agreement among qualified observers that, while government of Western Germany will, for some time to come, be in the hands of the "moderate" center, the political forces with great though as yet latent potentialities are on the Right. And there are many aspirants for the job of organizing the Right both within and outside the new Assembly.

FOREIGN VIEWS

A FRENCH REJECTION OF THE ATLANTIC PACT

The following excerpts are from a recent issue of "Esprit," a French publication expressing the views of a group of Catholic intellectuals.

The Atlantic Pact has been signed. The stakes are not yet down. . . . Let us examine the facts. It is well known that the two-world split goes back to Yalta and to the specific and implied agreements made by Roosevelt and Stalin. To facilitate the struggle against German and Japanese fascism, and in the euphoria of the common effort, both countries believed that they could come to an understanding after the war. Thus they would give lie to Hitler's statement about the Second World War being but a prologue to a third world war between Communism and the Anglo-Saxon democracies. The understanding between the wartime allies was founded on a territorial division. Already then the Elbe was accepted as the border between the Russian and American zones of occupation in Germany. Within this territorial division, economic and political institutions of a different nature were expected to emerge. But it was understood that commercial exchanges between the two blocs would be possible since the economic needs of the two areas can be said to complement each other.

After the need for a coalition had come to an end, the two Big Powers came up against the problem which they had to solve in common, namely Germany. A conflict was bound to arise since each partner wanted to model the new Germany in his image and wanted to incorporate it in his sphere of influence. The break came at the Moscow Conference of March 1947. From that moment on the strategy of the two blocs became evident. To understand this strategy, one must discard the usual language and images which tend to represent both strategies in the same terms, identifying both with the one-time nationalistic patterns of European nations. Although the results may occasionally be the same and the differences matter little to people drenched by bombs, the political behavior in the present case is different and the conflict itself differs from former nationalistic struggles. Each bloc seeks expansion and yet does not consider itself

perialistic." This misunderstanding is one of the chief causes anic which each feels towards the other and the total lack of ach has over his own behavior.

The Soviet Union, or rather the Communist regime established in Russia since 1917, has never hidden the fact that it represented merely the first specimen of international communism, destined to spread gradually to the entire world. This expansion was to come about naturally, according to the Marxist viewpoint, as the Communist parties in every nation took advantage of the internal contradictions of capitalism to assure the victory of the proletariat. But slowly Russia came to be no longer considered as just the first country to have carried out its revolution. Because of the achievements and the strength of her arms, Russia became the inspiration of other potential revolutions. The Soviet Union was thus led more and more to subordinate to her directives the activities of Communist parties outside of her borders. In the interwar period, the Third International was the instrument of this policy. After World War II, the USSR took advantage of her military victories to create for herself a zone of influence, the eastern *glacis* which she sought to extend as far west as possible. In the countries of eastern Europe a revolution of a mixed type, but clearly along Communist lines, was accomplished by small minorities carried to power by the military occupant.

On this side of the Iron Curtain, the Communist parties patterned their internal tactics on the general policy of the USSR. After the failure of the Moscow negotiations [of Big Four foreign ministers], the Russian Communist party invited the other Communist parties to coordinate their activities in the Cominform which was not to tolerate any deviations from Russian tactics (*cf.* the Tito episode and its repercussions in the various Communist parties). The western powers and the United States viewed this progressive extension of Communism, and consequently of the Russian regime and zone of influence, as forms of aggression. They viewed it as aggression all the more since the political and ideological expansion might be one day reinforced by a very real military element, the Red Army . . .

. . . American expansion, on the other hand, is of a totally different type. The United States does not dream of real territorial conquests. The Americans can even accept a political regime quite different from their own. But they put above all the opportunities to develop their

economic potential and thus increase their own living [illegible] through the growth of their foreign trade. In fact, they are n[illegible] satisfied with the dogmas of "free trade." The gap which has [illegible] between America's productive possibilities and the purchasing power of her foreign customers is so great that the United States must seek expansion not only by increasing the resources of her customers (the Marshall Plan), but also through investments in all countries that can be mechanized and industrialized (the so-called "Fair Deal" Point IV Program). This concept of the American future rests on the possibility of interference in the economic life of as large a part of the world as possible. Furthermore, it implies guaranties for the "security" of this sector against a Communist regime which by collectivizing the means of production might one day dispossess the United States and cause her to lose essential markets . . .

. . . Step by step, in search of protection, both blocs have come to promote the expansion and consolidation of their respective "security" zones. The Atlantic Pact is the logical follow-up of the Marshall Plan. Last year, when we examined the Marshall Plan, we pointed to the dangerous consequences which would result from predominance of strategic considerations.* These "security" measures—and this is an old but often overlooked story—have created in both the United States and in the USSR a real feeling of insecurity, which manifests itself in the increasing belief that war is inevitable or even necessary. This is the dangerous situation which we now face.

These two worlds, separated by geography, ideology, and even language, accused each other of being aggressors without giving the same meaning to the word. One side sees in economic expansion a threat against its own system, the other side sees in the support given to Communist regimes and parties in other countries an attack against the political independence of "democratic" nations, their ideological and economic concepts. Each wants to organize to oppose the other's expansion. Neither wants war, but both rush toward it because they are afraid . . .

. . . Soviet fears have led Russia to occupy and extend the orbit. American fears, allied to the fears of western Europe of becoming victims of Soviet occupation, have given birth to the Atlantic Pact. Fear of the Atlantic Pact . . . one could continue like this—until the moment of the explosion.

* See: "Some European Views on the Marshall Plan," *American Perspective,* September 1948. (Ed.)

This Pact, both in spirit and in letter, puts the stamp on our complete incorporation into the American zone of influence and puts us definitely inside one of the blocs. This is a total renunciation of the policy which France had attempted to follow immediately after the Liberation: to be an arbiter, a conciliatory force, an intermediary zone between the two blocs. Thus the Pact marks the end of what might have been a great French policy.

The Pact calls itself "defensive." But insofar as it stands for a military alliance, its very signature is a maneuver of intimidation aimed at the Soviet Union. And maneuvers of intimidation belong already to the realm of war, although they are said to be undertaken in the service of peace. History has furnished abundant proof of the fact that peoples engaging in military alliances, always called "peaceful," are visited by the same catastrophes of a "defensive" character and are most exposed to insecurity when their generals and diplomats begin to display a fierce interest in their "security." Besides, the Atlantic Pact provides for a regular military organization whose task is to stop the Communist advance beyond the Elbe or perhaps even, in the minds of its initiators, to push it back to Russia's historical frontiers. This is the framework in which we must view the Pact's consequences with respect to peace, war, and our own national future...

...To many Frenchmen, obsessed since 1918 with legal guarantees, the Atlantic Pact seems to be an instrument of peace, not of war. This hypothesis should be abandoned, and we should instead ask ourselves where we find, in the Pact's clauses and inspiration, that "security" which we are to be assured of.

To be effective, the Pact would have to guarantee, in case of conflict, (with Russia the assumed invader) immediate, automatic, and permanent occupation by the United States. This means that America's military strength must be present on the Elbe. But it does not seem, at least for the time being, that the United States plans to increase to a considerable extent her military establishment in Europe proper. The Americans, concerned with safeguarding their human and material capital, prefer to equip in secondary style the countries of western Europe, just as we used to outfit Portugal or Rumania, with leftovers, reserving their best equipment for invasion forces who, with the help of aviation, would leave from their own bases. The Americans are

the British of the 20th century. The U.S. looks upon the military alliance as a means of dividing the military task. France is called upon to furnish infantry and artillery for the Atlantic forces, which may mean a strong army but nevertheless an army of minor importance when measured on a world scale. Furthermore, we would be led to develop a heavy industry, oriented particularly towards the needs of this type of warfare, which means that we would not be called upon to develop our aircraft industry and atomic research . . .

. . . Thus the Atlantic Pact does not bring us any serious guaranties, and does not commit the United States to any action which in case of aggression, her interests would not have automatically dictated. But if the Pact were merely inoffensive, this would be the least of evils. Its ineffectiveness is bristled with dangers.

In the first place, the immediate effect of American strategy is to promote a rapid increase of Germany's industrial potential, without serious concern about prior democratization, which could have been hoped for after 12 years of Nazi rule. And the Germans seem increasingly determined to take advantage of this unexpected protection to push ahead rapidly, without giving the world any reassurances about the character of this new Germany, conceived once more in the house of Vulcan.

For us, membership in the Pact carries a commitment, under article 3, to develop our "individual and collective capacity to resist armed attack." In a country where production facilities are inadequate for the satisfaction of the population's vital needs, this commitment means that we must sacrifice, even more than in the past, equipment and production gains to the development of war industries. The inescapable consequence will be a general fall in the purchasing power of the French people as a whole, since scarcity of consumer goods will lead to price increases; furthermore, the rearmament program must be financed by means of increased taxation. Through this policy, and contrary to their aims, the United States will only increase the strength of the Communist Party, whose appeal depends largely on the misery and proletarization of the working people. From a long-range viewpoint, our integration into the American zone of influence seriously jeopardizes our development in the direction of socialism. It is true that the Pact is not as bad as was feared at one time. Before it was published, it had been rumored that any strike of importance in a

member-country would be considered by the co-signers as a cause for intervention. Such a Holy Alliance of capitalism has not been signed.

The Atlantic Pact harbors two sinister evils: delusions of an armed peace, together with the international mechanism for social stagnation. Without offering real protection, it commits us to a policy which must further draw apart the two blocs. In our own country, its social and political results can only interfere with reconstruction and paralyze any progressive trends. Perhaps the Pact makes sense for those who want to prepare and win a war. But our aim and interest as Frenchmen and Europeans is not to win a war, but to prevent it. Consequently, we must reject the Pact.

But opposition to the Pact does not mean that we can agree with Russia's ideas about the role of our country, embraced by the Communist parties. In the world-wide split into two worlds, the French Communists belong without a doubt into the Russian camp, and declarations made by Thorez merely express openly their logical and well-known position. But, in addition to being a strong political force, the Communist parties are an important economic factor in Europe (which, we must not forget, is the most important aspect in the eyes of the Americans). In so far as the local Communists proclaim their solidarity with the Soviet bloc, they play an active part in the game of mutual intimidation, thus hastening the war which they want to avoid.

The possibility of not taking sides with either of the two great blocs, or rather in the last analysis, of not wishing for the victory of one over the other, will no doubt be questioned. If the war were already being fought, we might have to make this choice. But we refuse to be placed already in a situation presuming conflict. To decide one's actions, from now on, on the basis of inevitable conflict means to inexorably create this very conflict, by scrapping the last hesitations.

Clearly, the Communists do not want war; they are even seized with a panicky fear of it. If at times they give the opposite impression, this stems from the fact that although they call for peace, they try already to create conditions for the victory of one bloc. Our own perspective is different. We feel that despite the moves of intimidation, despite the strategic undertakings all over the world, as long as war has not broken out, there remains a chance for peace. And it is this chance for peace which France must seize.

Why stress peace so much? Did we not oppose, at the time of Munich, the concept of "peace at any price?" Have we not denounced recently the concept of unconditional pacifism? Many feel that to save man from an inhuman regime—Communism for some, Capitalism for others—is worth the fight, or even makes war imperative. This principle can be upheld, and can serve both sides. It has been expressed in connection with national and religious crusades, and can be found in many of Lenin's writings. But wars are not fought with principles. And all theoretical considerations must, in 1949, take account of one reality: the characteristics of modern war, which the crusaders have never known, and of which Lenin had but a weak foretaste. Modern war is no longer a war of combat, but necessarily a total war of extermination. It is a war of extermination on two accounts. First, extermination results from the devastating power of the new instruments of warfare. In the second place, because national and social problems have been tied together, war in the 20th century has become a war of ideology, where arguments are being replaced by suppression of the opponent. Our own war in Viet-Nam, this "small colonial operation" which has progressed cancer-like, should be for us a sufficient warning.

Modern war means that, in the process of warfare, the ultimate war aims must evaporate. There can be no war for freedom because at the end of a total war, there are no freedoms left. There can be no war for socialism, because at the end of a total war, there is no socialism left. And this logic holds true not only in war. Preparation for total war must be carried out on a totalitarian level. It may be that the original tendency within a country drawn into the mechanism of modern technical warfare was anti-totalitarian, or liberal, or socialist: sooner or later, quickly or slowly, these ideas must give way to the internal necessities of the choice that was made.

Democrats and Communists still speak of war in terms of 1914. They still fancy it, despite the much publicized facts, as a calculated risk, which will serve a goal. But total warfare has no goal; it leads nowhere. It serves nothing and no one. It is absurdity itself. But where is the pontiff who would uphold this elementary truth in the face of those who want to defend Christian civilization with the very weapons which deny it? Where is the new Lenin who will fundamentally revise revolutionary tactics in the light of this new factor

which makes obsolete whatever has been thought, tried, and written in the past? . . .

. . . What are our immediate tasks? We must refuse to be partners in a policy of intimidation directed against anyone, be it under an offensive or defensive pretext. By turning down a military alliance with the United States, we make it plain to them that a solution to international tensions *cannot* be found in an armament race, but must be sought in an effort for the co-existence of the two blocs, pending historical growth, and in the development of whatever economic relations are possible. At the same time we can show the Soviet Union that we are determined not to serve as soldiers of a criminal and ruinous crusade. A daring policy of social reform will stifle Communist opposition which gains support with each concession made to conservatism, and will simultaneously demonstrate to the United States that there is a solution to the burning problems created by Communism besides bourgeois democracy and wars of extermination . . .

There is still time for action. Protests and complaints are not enough. As long as free opinion can be voiced in France it is our duty to alert the public so that the Pact may join in the archives of the Quai d'Orsay all other treaties which were never put into effect. The Atlantic Pact contains no provision for automatic action. This is its weakness which we can take advantage of. According to the text, in case of tension each country shall take whatever measures it considers best. We are not, therefore, legally tied to adventurous expeditions by the American military. The important thing now is not to implement the Pact through policies which it failed to legalize. Although dangerous in principle, the Pact will only become nefarious the day we enforce it by increasing our military budget, by directing our industrial life towards arms production and by accepting the directives of the Atlantic Pact nations in the conduct of our national affairs, and take extreme actions against Communist leaders. . .

It would be criminal to give up the defense of peace under the pretext that this slogan is part of the Communist campaign. But it will also depend on the Communists whether or not we will be able to defend peace successfully, but in a different spirit and with different methods. Will the Communists be able to put their desire for peace above their tactic of using all opportunities for the creation

of quasi-Communist movements which they need to secure absolute power? They cannot be allowed to monopolize this cause as they have monopolized others. Peace will never have enough supporters. . .

The major task is now to pin down all factions as to their real stand. Every war-mongering move should be exposed. Those who assemble under the slogan of peace should be asked to contribute to real peace and those who want freedom must be asked to stand for real freedom. . .

A British View of the Military Assistance Program

"The United States cannot have the best of two worlds. She cannot buy for a billion dollars the supreme strategical command of her European covering troops. She must either let them do the job in their own muddled way, making them a 20 or 25 per cent gift in the shape of arms to encourage them, or she must wrest for herself as a right the deciding voice by sheer weight of divisions, bomber squadrons, and dollars on the ground in Europe by 1950."

The Manchester Guardian

EXPORT COMPETITION:

GERMAN AND JAPANESE POSTWAR TRADE

by LAURE METZGER

In the summer of 1949, less than two years after the enunciation of the Marshall Plan, a new economic crisis overtook some of the Marshall Plan countries, and especially Great Britain, the recipient of the largest allocation of American aid. The 1947 crisis had been generally diagnosed as caused by lagging output in Europe, to be cured by expanding production with the help of American funds. The 1949 crisis, on the other hand, is being diagnosed as a crisis in distribution, caused by the failure of most European countries to export as much as they had planned. The cures which are being advocated for the present emergency center, therefore, on ways of expanding exports. Thus, it is being frequently stated both in this country and in Great Britain, that British exports must be able to "compete" better in the world markets, and that the problem is one of making exports more competitive through better salesmanship, higher quality, and lower prices achieved by cutting production costs or devaluating sterling.

This line of reasoning presupposes the existence of active competitors, able to outbid Britain in the markets of the world. At the present time, the United States is the world's most efficient producer, and American goods are most eagerly sought throughout the world. If Britain's problems were limited to meeting American competition, the adjustments necessary to make British goods competitive could probably be made. But Britain faces competition of a different nature from other quarters, a fact which might account to some extent for her reluctance to abandon the protective trade practices she has clung to since the end of the war.

After the first World War, Britain's chief competitors aside from the United States were Germany and Japan, and the revival of competition on the part of these two countries is being greatly feared by British manufacturers.

How well-founded are these apprehensions at the present time and what significance may German and Japanese trade competition assume in the future?

There are interesting differences between the situation after the first World War and now. After 1918, only Germany, not Japan, was a defeated (although undamaged) and occupied area. The occupation authorities, which did not include the United States, were concerned primarily with their own claims against Germany. The long run problem of balancing the German economy was considered a secondary one, or at least one that could wait. When, in the twenties, Germany succeeded in making an economic comeback and turned out eventually to be an effective competitor in the world markets, this was partly the result of non-fulfillment of reparations and other obligations assumed under the treaty. The Allies had not "planned" it that way.

If a similar competitive situation should develop after this war with respect to Germany as well as Japan, it will be the outgrowth of deliberate Allied, or more specifically, American policy. For a variety of reasons, this country is committed to a long run policy of promoting exports of the two ex-enemy countries. The strengthening and support of the Japanese export industries is in the main an economy measure, aimed at reducing the Japanese balance of payments deficit, which since the time of the Japanese surrender has been paid by the United States. The same considerations of economy hold true with respect to Western Germany. In addition, since 1948 Western Germany's status as an ex-enemy state has been largely overshadowed by her new role as a participant in the Marshall Plan and member of the non-Communist camp.[1]

It is true that German exports were to some extent handicapped by the inclusion of Germany in the dollar area, and the resulting inability to participate in some of the bilateral trade deals which have prevailed in Europe since the end of the war. This policy led to numerous complaints on the part of German businessmen, and was also looked upon with disapproval by the nations of Europe anxious to include Germany in their barter deals. American insistence on trade in dollars was part of the over-all "free enterprise" and severely deflationary policy adopted for the past two years in Germany, and since early 1949 in Japan. In both countries, no real attempts are being made to protect the individual against shortages, unemployment, and low living levels. Prices were allowed to skyrocket and goods became inaccessible to all but the wealthy. Deflation is being

[1] For a concrete illustration of this tendency, see *Interallied Reparations Agency*, Report of the Secretary General for the year 1948, (Brussels, 1949).

encouraged to run its full course in the expectation that after prices and wages have found their "natural" level, economic activity will pick up again and prosperity will gradually return. The advantages of short term bilateral agreements were rejected in favor of long-range "normal" trade, which could take place once the economy had become stabilized at a low wage level. There can be no doubt that this policy will eventually place German and Japanese exporters in a very favorable competitive position. There can also be no doubt that this type of deflationary policy could only be carried out by an occupation power in a defeated country. No national government could impose such hardships on the vast majority of the population and remain in power.

Furthermore, as will be shown below, the competitive position of Germany and Japan may become all the more serious because of a partial re-orientation of the industrial life of these countries. The reduction of steel production and heavy industry in Germany, and the emphasis on textile manufacturing in Japan have led to a concentration of exports in the fields of machinery and cotton goods, which are also the backbone export industries of other European countries, and especially of Great Britain.

For the United States, the policy of encouraging German and Japanese exports does not at present represent the sacrifice of a major national interest. No important sector of American industry has in the past been seriously threatened by these two countries. America's technological proficiency and the flexible role which foreign trade can play in America's economic life make it possible for this country to face without nation-wide anxiety the prospect of export competition by low-wage areas. The same cannot be said for Europe and especially Great Britain. It is therefore not surprising that British industrialists and trade unions were watching out for any symptoms of German and Japanese competition in international trade. Already in 1948 they considered the situation sufficiently disturbing to warrant protests and action.

In the course of that year a number of British export manufacturers discovered, for the first time since the end of the war, tangible evidence to the effect that the sellers' market was drawing to an end. Customers were no longer content to accept British terms or to wait patiently for deliveries in the distant future. They began to look elsewhere for lower prices, better terms or quicker delivery. A Nor-

wegian oil tanker in need of repair, which had been brought at first to Britain, where the work could not have been done before 1950, was subsequently routed to the German port of Kiel. Another publicized case was that of a British tool manufacturer who lost a big contract in India when German competitors made a more advantageous offer. Similar difficulties were experienced by the cotton industry with respect to Japanese competition. British export firms soon voiced loud complaints about "unfair competition" on the part of Western Germany and Japan, especially in cotton goods, automobiles, precision instruments, etc. Their complaints were first given vent in the form of case histories reported in the press, but subsequently more systematic action was taken. In January of 1949 a group representing the Lancashire cotton industry, headed by Sir Raymond Streat, chairman of the Cotton Board, went to the United States to plead for a restriction of Japanese textile production. At the same time protests against unfair German competition were brought to the Board of Trade jointly by the shipbuilding and engineering unions and by employers' organizations in various industries, including machine tools, scientific instruments, and automobiles. The deputation complained mostly about low wages paid in German industry, methods of price-fixing for German exports and artificially low prices charged by German exporters in a deliberate move to recapture export markets.

With respect to Japan, it was generally felt in Great Britain that little could be accomplished because Japan is exclusively America's—or even General MacArthur's—territory. The military authorities seem committed to maximum textile exports from Japan regardless of the possible repercussions of such a policy on British or even American cotton goods manufacturers.[2] Safeguarded by General MacArthur and the Southern cotton senators, the Japanese cotton industry seems very secure indeed.

With respect to Germany, the question of export competition represents a delicate problem for the British government. Britain is committed to German revival within the framework of the European Recovery Program, and is also fully aware that this particular issue is political dynamite. All sectors of the German press and public opinion have consistently upheld the view that British policy in Germany is exclusively guided by protectionist considerations and that the

[2] See an interesting discussion of this issue in *Manchester Guardian*, January 25, 1949.

continuation of the dismantling program, for instance, can be traced largely to that source. During the election compaign of August 1949 the Social Democratic party leader, Dr. Schumacher, specifically accused British industry, and the British Government in the person of Mr. Bevin, of a deliberate policy of destroying future German competitors. Specific instances of such selfish behavior have certainly occurred and there can be no doubt that if the matter had been up to British industrialists (or to those of their representatives who happened to find themselves strategically placed in the army of occupation) such a policy of "competition-elimination" would have been followed.[3] Officially, however, the British government has had to toss aside its role as protector of home industries in view of the political issues at stake in Germany, and as a price to be paid for the European Recovery Program. In Germany, General Robertson made his position clear in his widely publicized statement of February 2, 1949 when he denied vigorously that protection of British industries played a part in his decisions of an economic nature. At home, Mr. Harold Wilson, president of the Board of Trade, had the more delicate task of reassuring industrialists and workers in the competitive industries without departing from the official government attitude.

In a statement to the House of Commons on February 9, 1949, Mr. Wilson discussed the problem at some length and pointed out that apprehension in Britain had focused upon two main points: the revival of so-called Schachtian methods of export promotion (such as special export subsidies, multiple exchange rates, etc.) and the prevalence of lower wage rates in Germany. The essence of Mr. Wilson's statement was that, with respect to unfair export practices, "it is our policy to do all we can to prevent a revival in Germany of all forms of practices in international trade generally recognized as being unfair."[4] He pointed to the establishment of a uniform and high rate of exchange for the German mark (30 cents to the mark) as a safeguard against such measures. As to the problem of wage differentials, Mr. Wilson stated that, for the time being, the higher productivity of British industry more than cancelled this advantage, and implied that it was up to British industrialists to meet this difficulty through greater efficiency. In a similar vein, Mr. Bevin stated during the same session in the House of Commons that "so far as ordinary

[3] See "Dismantling Continues," *American Perspective*, November, 1948.
[4] *Times* (London), February 10, 1949.

commercial competition was concerned, it was the policy of His Majesty's Government to restore a healthy and viable economy in Germany." This same view was expressed earlier by Sir Stafford Cripps, who declared on January 31, 1948 that "the British government was not alarmed by the news of increased German competition, but British industrialists who had had no competition for the last eight years were inclined to be apprehensive at the first news of competition."[5]

The truth of the matter is that the concern felt by British manufacturers and unions was entirely premature. British industry had a tremendous head-start at the end of the war. German productivity is still low, trade channels have not been reopened. Inclusion in the dollar area shut her off in the past from the barter of bilateral deals in sterling and other soft currencies. For the time being, the high German exchange rate of 30 cents to the mark has forced a number of German products such as textiles, toys and jewelry out of the export market.[6] Britain still has tremendous guaranteed outlets within the sterling area and among other non-dollar customers. This was best shown when the export crisis broke open in the summer of 1949. The fall in exports was not due to lagging sales of textiles or machinery to areas where German or Japanese competition had made inroads. It was due largely to falling exports, both in volume and prices, of goods sent to the United States, especially raw materials from the British colonies, such as rubber and tin. There was no evidence that the export losses were at all connected with gains made by Germany or Japan.

For the time being, the impact of German and Japanese competition has thus been barely felt. The real problem may arise in another year or two, when prices and wages in Germany and Japan will have been stabilized at low levels, and new investment, together with American aid, will have built a new and modern industrial plant, especially in Germany. What will its effect be on world markets and on Britain, more dependent than any other country on a continued large export volume?[7]

Germany's and Japan's competitors will be faced by two different problems. The first one is that of competition in the narrow sense.

[5] *Manchester Guardian*, February 1, 1949.
[6] *Wirtschafts Zeitung*, Stuttgart, October 9, 1948.
[7] For a fuller discussion of the British problem, see Paul A. Baran and Mary S. Painter, *Britain's Economic Prospects.* (*American Perspective*, April, May, and June 1949) especially pp. 160-170.

There is a good chance that products manufactured in Japan will be cheaper than those of any other country, because of an abundant supply of cheap labor augmented each year by a rapidly growing population. But in general these goods appeal only to cheap markets, since they are by and large of poor workmanship. German goods will probably also be cheaper than comparable products made elsewhere, if only because of low labor costs, which seem to be assured for some time to come as a consequence of the recent political victory of center and right-wing parties. As for quality, design, and salesmanship, Germany may well acquire an edge over her competitors, especially Great Britain, because of the more dynamic outlook which has always characterized her foreign traders. This advantage is to some extent offset by the greater emotional appeal which British goods still seem to command in the British Commonwealth and to some extent in the United States.

If competition as outlined here were the only problem, it would not be serious, but might indeed result eventually in more efficient production and better goods for customers all over the world, without causing other than temporary disturbances to the exporting countries. But a second problem, and by far the most serious one, is that of a lack of outlets for the total of planned exports from all countries involved. At this point, it also seems realistic to drop the distinction between so-called fair and unfair competition. "Free" trade—and fair competition,—the elimination of export subsidies, official export exchange rates, or even special bilateral agreements and discriminatory legislation against some imports are at least a goal to which all governments pay a certain amount of lip service. In times of economic stress, this concept is usually the first to be sacrificed. As soon as demand begins to slacken, all countries try to improve their trade position by one or another type of "unfair" device. The real question is therefore that of demand. In other words, can the "normal" output of Germany, Japan and Great Britain (not to mention the United States and the remainder of the Marshall Plan area), which these countries expect to produce by 1952, find its way into export markets? If, by and large, there is world-wide demand for these countries' export production, then so-called normal and healthy competition, on the basis of quality and prices, can probably be maintained. If, however, the planned exports cannot be readily absorbed because there is no corresponding world-wide demand, then unsold

surpluses will remain, perhaps in the hands of high-cost producers, but more likely in the hands of those who concluded the least advantageous agreements.

It is, of course, impossible to predict accurately what either the demand for or supply of specific commodities and manufactures can be by 1952. All production and export targets under the Marshall Plan are subject to revision; the Japanese Four-Year Plan has not yet been officially put into effect, and it is even more difficult to venture a guess as to world demand for Japanese, German and British goods by 1952. Nevertheless, a rough comparison of what the three countries plan to sell, by commodities as well as by areas, can be made on the basis of the plans so far published and some inferences drawn from a comparison with 1938.

1. GREAT BRITAIN

Britain's export plans are more ambitious than those of any other country. Britain plans to export in 1952 over 7 billion dollars worth of goods, as compared to her 1938 exports of 2.3 billion. Making allowance for the increase in the price of export goods, the 1952 target still represents 150 per cent of 1938 exports. The following table shows on which goods Britain relies principally in her export drive and what changes are planned in her export pattern as compared to 1938.

TABLE 1. U. K.: EXPORTS (BY COMMODITIES)

	percent of 1938 *exports*[a]	*percent of* 1952-1953 *exports*[b]
Agricultural products	6.0	4.4
Mineral solid fuels	7.6	7.1
Ores and metals	13.5	7.8
Machinery and equipment, trucks, lorries, ammunition and arms	22.4	30.9
Textile materials and products (excluding clothing)	21.9	19.7
Others	28.1	27.1

a. Source: *Network of World Trade*, League of Nations, Geneva, 1942.
b. EUROPEAN COOPERATION (Memoranda submitted to OEEC relating to economic affairs in the period 1949-1953), Cmd. 7572.

This table shows that the British export increase excludes agricultural products, ores and metals, and concentrates in the main on

manufactured goods. The mainstay of the program is the export of machinery and equipment. Textiles, coal and other goods are roughly expected to stay proportionately the same as in 1938 (which means that 1952-53 exports are 50 per cent higher) but machinery exports are expected to double. In volume and at 1948 prices, Britain expects to more than double these exports by 1952.

Equally important are the plans for the destination of these exports. Such plans are, of course, merely approximations, since the British are the first to recognize that "a willingness abroad to buy is as important as the United Kingdom's capacity to supply."[8] Nevertheless, the area distribution of exports deserves attention as an indication of possible areas of competition. Table 2 compares 1938 and 1952-53 trade by countries of destination.

TABLE 2. U. K.: EXPORTS (BY COUNTRIES)

	percent of 1938 *exports*[a]	*percent of* 1952-53 *exports*[b]
North and Central America	10.4	11.1
South America	6.8	8.6
Sterling Area	29.0	29.1
OEEC countries and their dependent territories	26.5	19.4
Iceland and Eire	4.8	4.4
U. K. dependent overseas territories	7.5	14.0
Others	15.0	13.4

a. *Network of World Trade*, League of Nations, Geneva, 1942.
b. Cmd. 7572.

This table has several interesting implications. In the first place, Britain is going to reduce her exports to the Marshall Plan countries, as a result of the general pressure among the Marshall Plan participants to cut imports of manufactured goods. She expects to increase considerably her exports to the Americas and, to a slightly lesser extent, to the sterling area. The greatest proportionate increase is to be borne by her colonial territories.

2. GERMANY

Like Great Britain, Germany must export more after the war than she did in prewar years, but for different reasons. The British must make up through exports the loss of income from overseas invest-

[8] Cmd. 7572 (op. cit).

ments, liquidated during the war, and other prewar earnings through shipping, insurance, etc. The loss of this income plays a smaller part in Germany's case. She must make up primarily for territorial losses, the cutting-off of Eastern Germany and the presence in Western Germany of a larger population than before the war as a result of the influx of refugees from Eastern Europe and the Soviet zone of Germany. Western Germany has at present a population about 66 percent that of all Germany before the war. On the other hand, it has a smaller proportion of 1936 German resources, namely 45 percent of its arable land, 59 percent of its manufacturing production and 66 percent of exports of manufactured goods.[9]

As compared to total exports of 2.3 billion dollars in 1938 for all of Germany, Western Germany (comprising the Bizone and French Zone) is scheduled to export 3.1 billion dollars worth of goods by 1952-53, an increase of 40 percent over prewar exports.[10]

The following table compares German exports for 1938 and 1952-53 by commodities. The 1938 figures refer to all of Germany, 1952-53 figures refer to the three western zones.

TABLE 3. GERMANY: EXPORTS (BY COMMODITIES)

	percent of 1938 *exports*[a]	*percent of* 1952 1953 *exports*[b]
Agricultural products	....	2.3
Mineral solid fuels	9.3	13.4
Petroleum products	.3	.3
Ores and metals	20.8	5.8
Machinery	23.9	33.2
Textile materials and products	8.3	7.5
Chemicals	10.4	15.4
Other	27.8	22.2

a. *Foreign Commerce Yearbook*, 1939.
b. ERP, *Western Germany Country Study* (ECA).

The most striking feature of this program is the cutback in exports of ores and metals, which reflects the diminished steel capacity of Germany, coupled with an increase in coal exports, partly available through lower steel production. But again the chief reliance is put on machinery exports; particularly fine machinery, electrical and optical goods, where the requirements of steel are small in relation to the value of the product. Exports of chemicals and fertilizer are

[9] ERP, *Western Germany Country Study*, (ECA, February 1949, Washington, D. C.)
[10] Monthly Report of the Military Governor, OMG, September 1948.

also to be increased, partly because national requirements are lower as the result of territorial losses and the separation of eastern Germany.

No detailed German export plans for 1952 by countries of destination are available so far. But even the rough estimates that have been made tell an interesting story. By 1952 almost half of Western Germany's exports (48.3 percent) is expected to go to countries not participating in the Marshall Plan (the Americas, the sterling area and other non-participants). In 1938, only 39.3 percent of all German exports went to these countries. The corresponding decline in exports to the Marshall Plan countries and their dependent territories is from 60.2 percent of 1938 exports to 51.7 percent of planned 1952-53 exports.[11] Again, this change reflects Western Europe's concentration on imports of food and raw materials and the attempt of European countries to market most of their manufactures abroad. Thus, German plans closely resemble those of Great Britain: a general export increase, largely through increased machinery sales and large textile sales, with special emphasis on sales to North and South America and the sterling area. It would thus appear that German-British competition might become even more serious than it was in the interwar period, since both countries will concentrate their export efforts on the same commodities and areas. Furthermore, Eastern Europe is not likely to absorb as many German goods as in the past. Not only does the East-West political division present a formidable obstacle, but attempts by the countries of Eastern Europe to achieve industrialization and a certain amount of economic self-sufficiency call for a reduction in "unessential" imports of the kind supplied by Germany in the interwar period. Germany is thus bound to seek new markets among Britain's traditional customers.

3. JAPAN

With respect to Japan, the picture is less clearly drawn. Incentives and organizations comparable to those which led to planning in Europe—the Marshall Plan and the OEEC—do not exist. On the contrary, much emphasis is laid to trade through private channels, and on a laissez faire policy. The reparations issue is another complicating factor. The abrupt termination of reparations deliveries, decided upon by the United States in May of 1949, introduces a

[11] ERP, *Western Germany Country Study*, (ECA), and *Foreign Commerce Yearbook*, 1939.

change which former plans did not take into account. The complete turn-about in the occupation's economic policy, with the introduction of the severe deflationary policy recommended by the Dodge Mission in 1949, adds to the present confusion.

In 1938, Japan exported 765 million dollars worth of goods. Her export trade was thus less than half that of Great Britain or Germany. Cotton goods made up 17.5 percent of that trade, raw silk 13.5 and machinery only 5.8. The remainder consisted largely of other textile manufactures, metals, and a variety of light manufactures, including bicycles, pottery, paper products, etc.

By 1953, Japan is expected to have a total population of 86 million, as compared to 72 million in 1938. On the other hand, Allied policy for Japan is to achieve a standard of living equal to that which prevailed during 1930-1934. This would mean an increase of exports merely to meet the needs of a larger 1953 population.

Furthermore, Japan faces problems somewhat comparable to those of Germany. Her territorial losses made a considerable dent in her food supply, since her dependencies and Manchuria were formerly an important source of rice. Altogether, Japan will have to step up her exports in the same ratio as Great Britain or Western Germany if the 1934 standard of living is to be retained. On the other hand, many of her traditional customers—especially China—can no longer be counted upon. The composition of Japan's exports may also have to undergo a series of transformations. Raw silk cannot be expected to be as considerable an export item as it was in the past, having lost much of its market since the development of synthetic yarns. The expansion of industries relying on metals, especially steel, will probably remain handicapped by the reduction of Japan's industrial capacity through reparations, removals and prohibitions, although a definitive appraisal cannot yet be made. According to the Far Eastern Commission, "export industries should not be developed when the character of such industries would contribute significantly to the maintenance or development of Japan's war-making potential, or if they would promote dependence of other countries on Japan for strategic products. Exports of textiles and other goods which are in world short supply, especially in Asiatic countries, should be stimulated to the maximum practicable extent."[12] In other words, according to

[12] Far Eastern Commission, *Second Report by the Secretary General* (March 1949).

present plans, cotton goods are to become the backbone of Japan's export trade.

This trend is already strongly reflected in the outline of the 1949 export program. Out of a total of 477 million dollars worth of exports, cotton goods were to account for 170 million dollars, or 35.6 percent of all exports, as compared to 126 million dollars in 1938 (17.5 percent of all exports). Silk, which in 1938 represented 13.5 percent, was to account in 1949 for only 5.5 percent.[13] However, the 1949 figure is less than half of what Japan hopes to export eventually, once its cotton industry is completely re-equipped and reorganized.

The distribution of Japan's trade is at present a problem. In 1938, 23.4 percent of all exports went to China and 31.5 percent to other Asiatic countries. Japanese authorities are rather pessimistic concerning future exports to Communist China. If trade can at all be resumed, they seem to feel that Japan could only temporarily sell her traditional consumer goods to China, until the goals of the Chinese industrialization program have been achieved to a certain extent. Chinese imports would be primarily concentrated on machine tools, rolling stock and other essentials. Official Japanese sources seem to believe that the United States, in line with American policy of prohibiting certain types of exports to Communist-dominated countries, would not permit such exports. According to a government press release, "any wishful thinking on the part of the Nation would result in disappointment in view of the problem of a political nature lying behind it, although such trade would be highly welcome."[14] Trade with the remainder of Asia was already quite active in 1948, and although absolute export figures were small, since total exports amounted to only 259 million dollars, it is remarkable that Asia (excluding China) imported a total of 122 million dollars (or 47.2 percent of the 1948 trade).[15] There can be no doubt that regardless of the possible resumption of trade with China, Japan will concentrate her effort on sales in Asia, which is bound to bring her in severe competition with Britain, which also banks heavily on sales of cotton goods to that area.

The conclusions which emerge from this rough and necessarily summary survey are disconcerting. In the last analysis, they point

[13] JIJI, January 18, 1949.
[14] JIJI, Tokyo, February 15, 1949.
[15] Computed from monthly reports, GHQ Supreme Commander for the Allied Powers, Economic and Scientific Section.

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to the complete lack of world-wide coordination which has unfortunately characterized America's international trade policy since the end of the war. The one consistent feature of this policy has been the revival of a healthy Great Britain. Through the British loan, and later through the Marshall Plan, this objective was to be accomplished. But simultaneously, through the policies pursued in Germany and Japan, this objective is being endangered from a long-range point of view.

Perhaps the most unfortunate aspect of the situation is the slowness with which this problem is coming to the fore. Great Britain's crisis in the summer of 1949 arose before German and Japanese competition in world markets was heavily felt. There is therefore every danger that remedies for that particular crisis will again prove inadequate a short while hence, since they fail to take this element into consideration. Since the 1949 crisis arose largely because of the reduced value of trade between the United States and the sterling area, proposed remedies center around the problem of increasing, facilitating or even guaranteeing American outlets for the sterling area exports. The larger problem of world markets, which in the long run is the crucial one, is not being considered with the same degree of thoroughness. The only issue which is being raised periodically is Eastern Europe's failure to resume its traditional place in Europe's trade,[16] which is attributed either to a deliberate Soviet policy or to the cold war in general. It is true that prospects for export of agricultural products from Eastern Europe in exchange for Western European (especially German) manufactured goods do not look too promising for the future. But East-West tension alone is not responsible. The desire for industrialization and independence from German imports is strong in Eastern Europe, quite independently of Soviet influence. In the eyes of the leaders of Eastern Europe, the resumption of that area's traditional role, as envisaged in the Marshall Plan, does not allow for industrialization and economic independence in Eastern Europe. This changed outlook among Germany's own-home economic satellites has been more fully grasped in Western Europe than in the United States. In the words of an impartial French student of international affairs: "As a result of their changed economic structure and their political orientation, Poland and Czechoslovakia turn away from Germany . . . if tomorrow Germany must

[16] See statement by Mr. Harriman at Geneva (*New York Times*, May 10, 1949).

look for export markets, she will not find them among her eastern neighbors."[17] From a long-range standpoint, it seems clear that if after the haphazard barter exchanges of the postwar years, regular East-West trade is to be resumed, it will probably not be along prewar lines, where foodstuffs were exchanged for light consumer goods.

But Eastern Europe is a relatively minor factor in world trade, of numerical importance only to Germany. On the whole, the full weight of Europe's greatly expanded exports is to be borne by the other four continents. This is shown clearly in the plans for 1952-53 submitted to OEEC. Africa is not expected to absorb a very significant portion of these exports, so the bulk of the doubled exports is to go to the United States, Central and South America, the Near and Far East. In each case there are powerful obstacles to a permanent expansion of imports. It may be possible to keep the American market open to large-scale European imports, through the combined efforts of the European and American governments, and a direct or indirect American subsidy. But without artificial props for imports, it is difficult to conceive how a sufficient volume of purchasing can be sustained elsewhere. Latin Americans have to manage their resources carefully if their imports are to remain even at prewar levels and if they want to undertake their planned industrialization schemes. Countries in the Near and Far East, while potentially a great market for all manufactured goods, are also preoccupied with industrialization and welfare schemes, and can at best be relied upon to import so-called incentive goods for a transitional period.

Furthermore, all discussion as to 1953 exports always overlook one factor: that up to then American industry will export heavily each year under the Marshall Plan. By 1953 this capacity will be available and may compete for the world market unless enormous domestic orders are forthcoming. Since much of what America produces is capital equipment, of the kind most coveted by countries in the process of industrialization, it is difficult to see how many customers of cotton goods and light machinery can fail to cut such imports to the bone in order to acquire the capital equipment which will start them on the road to industrialization. Economists may deplore this wasteful pattern of industrialization at all costs, but they must recognize it as a political reality. For Great Britain to meet this demand would have required a wholesale shift from consumer goods

[17] Pierre Grappin, L'Allemagne et ses Voisins, *Politique Etrangère,* May 1949.

to the capital equipment industry—an adaptation which, in the words of the London *Economist,* "the British economy has done its best to resist in the postwar world."

One need not conclude, however, that the difficulties facing Europe's trade demonstrates the evil effects of the Marshall Plan. This latter line has been a constant ingredient of recent Soviet propaganda against the European Recovery Program. The rise of British-German competition is pictured by British pro-communist sources as one more illustration of the machinations of capitalist America using its investments in capitalist Germany to ruin socialist Europe.[18] There may be ways and means of meeting the problem within the framework of the Marshall Plan, once it has been recognized. The important point is to face it squarely and promptly and not to postpone a fundamental solution to Britain's—and Europe's—problems while indulging in wishful thinking about non-existent free and unlimited markets for goods considered dispensible in many partsa of the world. There are several ways in which the British-German-Japanese trade dilemma could be constructively resolved. One would be the promotion of heavy industry in the two ex-enemy countries by authorizing the steel industry to operate at maximum capacity. This course has been ruled out by security considerations. The second course would be a shift to such industries by Great Britain. The third would be to increase the purchasing power of the Americas, the Near and Far East and Africa, enabling these countries to buy consumer goods in addition to the capital equipment they want. This would be the most expensive course, since it would take many years until a sufficient national income has been created to absorb increased exports without outside assistance. Yet it is probably the only way in which the problem might be fundamentally solved. This may well be the ultimate consequence of the "tampering with history" which the Marshall Plan after all represents. A historically scheduled event—the decline of Western Europe—has been interfered with. Engineering on a world scale cannot be limited to one area and accomplished in a few years but calls for protracted, coordinated and thorough planning—or else it must fail miserably.

[18] Cf. Tim Gardner, "German Competition and Britain," *Labour Monthly,* London, March 1949.

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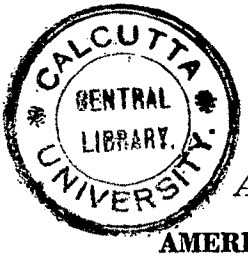

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HOW TO MERCHANDISE FOREIGN POLICY

II. FROM ERP TO MAP

by WILLIAM L. NEUMANN

The first installment of this article in the September issue dealt with the British Loan and the Greek-Turkish legislation.

Without the European Recovery Program, Americans will live in "an armed camp, regulated and controlled," Secretary of State Marshall told congressmen in January 1948. With the Marshall Plan will come "bigger and sounder markets in Europe and elsewhere," Secretary of Commerce Harriman advised Senators that same month.[1] Prospective consequences of rejection were dire; expectations from an affirmative vote were great. Promises and fearful predictions alternated throughout the testimony. Men qualified to speak as experts for the enlightenment of Congress spoke as salesmen intent on persuasion. Critical weighing of the pros and cons was discouraged. As in the British Loan and the Greek-Turkish aid programs, Congress was being "sold" foreign policy. And the main arguments were the same: Dire Consequences; Great Expectations; Inevitable Next Step; and practical rewards to special interests.

The European Recovery Program

Originally Secretary Marshall's program seemed to have clear political objectives. It proposed the extension of economic aid to western Europe in order to maintain the political *status quo* of these states against Communist elements which seemed to be growing in the midst of economic disorder. Thus the political friendship of these nations for the United States would be insured. This was an objective consistent with "national interest," on the premise that Communist governments in Europe were a threat to the security of the United States.

There was also a clear economic objective in the original plan. American aid was to provide markets for surplus agricultural products

[1] *Hearings Before the Committee on Foreign Relations, United States Senate, Eightieth Congress, Second Session, on United States Assistance to European Economic Recovery*, Part I, p. 249.

and manufactured goods which were expected to accumulate in the United States when European imports began to decline. Although there are good grounds for differing with this type of economic planning, the end was one which was easily justified to Congress. But the executive departments in mapping their strategy were not content to argue the foreign aid appropriations on their basic political and economic merits. Instead they dressed up the Marshall Plan as a many-featured gadget which was to eradicate economic nationalism on the continent, to make possible major savings in the military budget of the United States, and by 1952 was to enable Europe to maintain its trade balance with the United States without the protective devices of controlled trade. The clock was to be turned back and the 19th century world of "freer" trade restored.

Initially the anti-Communist aspects of economic aid were not strongly emphasized. Public opinion had not yet been heated up by the cold war and the continuation of trade between eastern and western Europe was recognized as essential for economic recovery. Hopes also existed for the participation of some of the eastern European states. In his pre-Marshall Plan speech in Mississippi in May of 1947, Dean Acheson, then Undersecretary of State, warned his audience that, with existing economic conditions in Europe, "freedom and democracy and the independence of nations could not long survive." Europeans would resort to "desperate measures," he said, implying a rise in Communist strength. But in his Harvard speech the following June, Secretary Marshall said that his proposal was not directed "against any country or doctrine," although its purpose was to make possible the existence of "free institutions."

Two events in particular brought the arguments for the anti-Communist function of the Marshall Plan into full display. The first was the decision of the Soviet Union in the summer of 1947 to oppose the program and to prevent the participation of its satellite states. The second was a Gallup poll released in November of the same year. One third of the people polled had not heard of Marshall's proposals, but a test of various arguments showed that the highest percentage favored the program when the anti-Communist aspect was stressed.

As the executive departments began to present testimony in behalf of the Marshall Plan in January 1948 they were coached on their approach by able aides, the newspaper columnists. One column re-

called the difficulties the British Loan legislation had faced when it was sold as,

> "a great free-trade gesture until the last moment when Secretary Byrnes had to make the House of Representatives' flesh creep with Soviet horror tales. The device worked." [2]

These columnists did not suggest that the Administration cry wolf, but argued that the only way to pass ERP was to "arouse an adequate sense of urgency in Congress and the country." This advice plus the results of the Gallup poll obviously made it good salesmanship to stress the internal Communist danger.

In his opening speech to the Senate Committee on Foreign Relations in January 1948, Secretary Marshall warned that European countries, left to their own resources would take on a new political form, "in the image of the tyranny that we fought to destroy in Germany." [3] Subsequent testimony by administration leaders repeatedly pointed out the direct relationship between economic distress and the appeal of Communism. The minds of hungry men were presumed to be easily charmed by Communist doctrine. When he appealed for a new appropriation for European recovery in February 1949, Secretary Acheson was still making the same argument. He testified that economic recovery had "checked and forced into retreat" Europe's Communists.[4]

After so much reiteration of the relationship between economics and Communism, Congressmen should later have been surprised when in July of 1949 Secretary Acheson rejected the basic premise of the previous arguments. "The fact is that the appeal of international communism," he told Congress, "is not, contrary to the self-serving assertions of the Soviets, an appeal to the minds of men."

> "International communism has made its gains in Europe not by any intellectual or spiritual attractions but by the threat that derives from the existence of large forces, and the ruthless application of force wherever this has been necessary to achieve its objectives." [5]

[2] Joseph and Stewart Alsop, "Honesty Is the Only Policy," *Washington Post*, January 26, 1948.

[3] *Hearings Before the Committee on Foreign Relations, United States Senate*, Part I, p. 2.

[4] *Hearings Before the Committee on Foreign Relations, United States Senate, Eighty-First Congress, First Session on S. 833*, p. 17.

[5] *Hearings Before the Committee on Foreign Affairs, House of Representatives, Eighty-First Congress, First Session on H.R. 5748 and H.R. 5895*, pp. 15-16.

The Secretary was no longer appealing for economic aid but now testifying that it was the Military Assistance Program which would bring security to Europe.

In addition to being faced with a Communist Europe if Marshall Plan funds were not voted in full, Congress was warned of the ominous future for American foreign trade. In May of 1947 Dean Acheson told Mississippi businessmen that the world's trade deficit with the United States for that year would amount to $8 billion. Unless foreigners could secure the dollars necessary to cover this gap, the future of American exports was not bright. The Marshall Plan was an obvious method by which the balance, at least with Europe, could be restored and exports maintained.

In arguing this aspect of the results of the ERP appropriations the bill's proponents were on solid ground. Dollars sent to Europe, even without being earmarked, must eventually return to the United States in payment for goods. But administration spokesmen went further and assumed that American aid would cure Europe's trade ills and that a prosperous Europe in 1953 would demand large amounts of American goods, paid for by the volume of sales to the dollar area. This was in large part wishful thinking.[6]

It was true that the growth of industrialism in the 19th century was accompanied by an increase of trade between the industrialized nations, but such a relationship does not necessarily characterize this century. World politics have emphasized self-sufficiency. The objective of industrializing European nations today is to cut down on non-essential imports while increasing their exports. European export plans based on Marshall Plan dollars, in many instances, are accelerating the drive for economic self-sufficiency.

Also indicative of wishful thinking was the disregard for the changes which raised questions as to where European exports are to be absorbed. The backward areas and nations which before World War I provided markets for manufactured goods are now themselves industrializing. No longer can many of these countries be expected to consume the ever increasing production of the United States and Europe while supplying food and raw materials in return. The reappearance of German and Japanese competition for markets, essential if these

[6] For a summary of Marshall Plan weaknesses see L. Metzger, "European Recovery: The Long View," *American Perspective*, February 1949, pp. 481-487.

nations are not to remain permanently on an American subsidy, makes the future of Europe's export plans even more hazardous.

In the testimony on the Marshall Plan in 1948 there are almost no hints from the administration of these complications. "In my judgment," said Secretary Marshall, the proposed program in four years "should make possible sustained economic recovery in western Europe." [7] Although the Secretary had called the program "a calculated risk," he said it was the belief of his Department that there was "every prospect of success."

Ambassador Douglas was asked, in view of the inclusion of Britain in the aid program, whether the British Loan had not been wasted. He replied that there were "certain factors, unforeseen at the time the loan was made" which resulted in more rapid exhaustion of dollar aid than had been expected.[8] Unforeseen factors could also frustrate the Marshall Plan, Douglas admitted when he said that there were "risks in this program." But his lengthy testimony—which buried congressmen with statistical tables—gave no time to an analysis of these risks. Instead Congress was asked to consider the cost of the program against "the consequences, the implications, and the far-reaching costs of doing nothing or doing something inadequately." Senator George of Georgia at this point displayed a touch of sales resistance and objected to being faced with "absolute alternatives."

> "We do not face that issue. The United States does not. That is the technique of propaganda that I do not quite appreciate myself." [9]

In spite of displays of skepticism about the Dire Consequences, such as that of the economy-minded Senator from Georgia, Secretary of War Royall was willing to set a specific price on the consequences of not passing the aid appropriations. If the Marshall Plan did not go through, Royall told Senators, the Army and the Air Forces would need a minimum of $2¼ billion dollars more than their current budget request. Further, he said that the Army would have to go back to a selective service system if the European recovery program was not passed. When "Marshall Plan or Draft" hit the newspaper headlines, the Secretary of War apparently realized that his state-

[7] *House Hearings,* Part I, p. 31.
[8] *Senate Hearings,* Part I, p. 188.
[9] *Ibid.,* Part I, p. 160.

ment of alternatives had endangered future arguments for conscription. When he talked to the House Committee five days later he was careful to state that the United States needed a form of military conscription "whether or not the ERP passes . . ."[10] Subsequently Congress passed *both* ERP and a new selective service law.

One of the Great Expectations held out in the testimony for ERP was the stimulus it would give to the political and economic unification of Europe. The rapidity with which the European nations met in the summer of 1947 and formed the Committee of European Economic Cooperation (CEEC) was cited as evidence of what could be expected once dollars began to cross the Atlantic. Secretary Marshall told Senators that "a certain degree of unification" would be "a necessity."

Ambassador Douglas confirmed this view when he testified that the only way of overcoming some of the adverse conditions was by "a closer integration of the economy of these 16 countries." If the commitments made by the European nations in the Marshall Plan were faithfully observed, Douglas said they would produce "a much more integrated, closely knit and interwoven pattern of activity than existed before." He went on to mention the Benelux customs union (signed before the Marshall Plan was announced) and to speak of Franco-Italian customs union negotiations as well as of similar proposals under consideration by other nations. Senator Lodge suggested that some language be put into the bill which "would really see to it that a customs union was established by a definite date"; the Ambassador indicated that such a move would be imprudent.[11] Again Douglas listed the commitments already made by the participating countries and expressed his belief that they would move Europe toward economic unification. Secretary Harriman, testifying after Douglas, agreed that there was hope for movement in that direction, but differed from Douglas in admitting that there was not yet "much progress in that direction."

ERP was passed by both the House and the Senate in March 1948 and became a law in April. As the first 15 month period of ERP came to an end in 1949 there was little indication that the Great Expectation of further European economic and political unity would

[10] *House Hearings,* Part I, p. 384.
[11] *Senate Hearings,* Part I, p. 207.

be achieved. Secretary Acheson, while maintaining his optimism on other points, phrased his statements on the possibilities for economic unification with great care. The Council of Europe, which he characterized as "a helpful and very forward-looking step," did not involve any real delegation of sovereignty and went "about as far as it is possible to go at the present time. . ." [12] Senator Fulbright, originally a strong supporter of the Marshall Plan, argued that the Marshall Plan had actually had an adverse effect on European unity. He told Secretary Acheson that the effect of ECA in relieving the European nations of the necessity for integration by paying their deficits had hindered "the natural tendency toward integration." [13]

By the spring of 1949 it had become clear that the goal of a Europe independent of American dollar aid by 1953 was not going to be achieved. Despite the production figures which showed that only four of the 16 participating nations were below 1938 levels, a United Nations commission concluded that "the underlying problems of the European economy do not appear appreciably nearer solution." [14] Even the layman, ignorant of the complexities of international economics, by the summer of 1949, could not ignore the headlines on the British dollar crisis which made it clear that Britain's dollar gap was still unbridged. As the *Manchester Guardian* phrased it, "the dole to end doles" would not achieve that end by 1953. But the salesman's optimism still continued to color the official statements made to Congress. Secretary Acheson told a Senate committee as late as February 1949,

> "Events have proved that the hopes reposed in this program, both here and abroad, have not been misplaced. . . The results of the first year of its operation definitely establish that the measure was sound. . . Of course there are difficulties and problems ahead. But the outstanding fact which emerges from this first appraisal is that the program is succeeding." [15]

North Atlantic Pact and Military Assistance.

When it came time a month later to convert Congress to a program of alliance and military aid to Europe, optimistic statements like Mr. Acheson's quoted above should have been somewhat embarrassing.

[12] *Senate Hearings on the Extension of European Recovery*, p. 195.
[13] *Ibid.*, p. 197.
[14] *Economic Survey for Europe in 1948* (Geneva, 1949), iii.
[15] *Senate Hearings on the Extension of European Recovery*, pp. 17-19.

If ERP had succeeded in checking the threat of Communist parties in Europe, what was now the threat which could move Congress to action? Senator Watkins, for example, complained in the Atlantic Pact hearings that he had voted twice for Greek-Turkish Aid and twice for ERP to do exactly what he had been told the Pact was going to do. Ambassador Austin in reply only restated all the claims made for the earlier legislation.

By a convenient change of conviction the Secretary of State could now state that it was Soviet military power which was the real menace of Communism, rather than its ideological appeal to hungry Europeans. But at the same time the Secretary was able to report that Soviet power had not expanded in Europe. He told Congressman Smith of Wisconsin that:

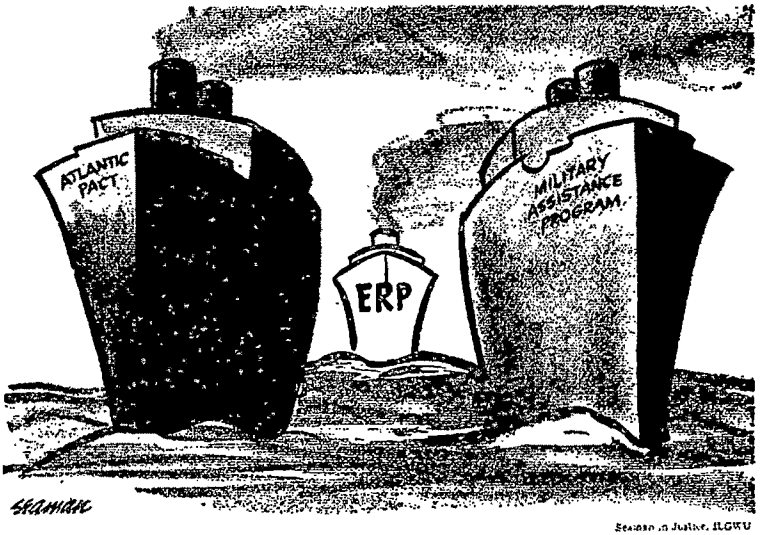
> "Broadly speaking, we can say that the boundaries of the iron curtain today have not progressed one inch from the area occupied by Soviet forces at the end of the last war. In fact, in one particular area it has contracted: namely, Iran." [16]

Another approach was the Inevitable Next Step plea: it was necessary to remove the psychological insecurity of the Marshall Plan nations in order to enable them to produce more. However Mr. Paul Hoffman, the ECA Administrator, told the Senate in February 1949 that the lack of security was "less prevalent today" than it was a year ago in Europe. Mr. Averell Harriman, the roving ambassador of ECA, went even further that same month in his testimony and said that in his opinion "the pressures in Europe are beginning to reverse." He cited the Tito break and dissension among other satellites as evidence that the Marshall Plan was now beginning to create insecurity for the Communists. In the face of this type of testimony, and lacking any concrete Soviet advance after February 1948 to scare Congress into uncritical acceptance of counter-measures, the success of the Administration in securing the passage of both the Atlantic Pact and the Military Aid program was a masterpiece of the technique of handling Congressional opposition. (Curiously enough, there has been no such success nor application of the same techniques to the Administration's domestic program where even the most meritorious legislation has met with defeat.)

[16] *Hearings Before the Committee on Foreign Affairs, House of Representatives, Eighty-First Congress, First Session on H.R. 5748 and H.R. 5895.* (Mutual Defense Assistance Act of 1949), p. 22.

Much of the success of the Administration in selling the North Atlantic Pact and MAP must be attributed to the long period devoted to softening up the sales resistance of Congress. On the other hand, great care was taken to prevent any premature consideration of the issues which might in any way affect the ERP legislation. When Secretary of Defense Forrestal appeared before a House Committee in January 1948, he was questioned as to whether the Marshall Plan would meet the military needs of the cooperating nations.

'CONVOY'



Congressman Merrow wanted assurances that a Europe made prosperous by American dollars would not become a richer prize for a Communist aggressor. The Secretary replied in vague terms that economic recovery would also mean greater military strength. Congressman Javits jumped the gun and went so far as to suggest that the Department for Defense be included in ERP in order to integrate the defense programs of the participating nations. Secretary Forrestal's answer was that this was a "delicate and rather sensitive area" for action and that the United States did not want to "invade the sovereignty and the sensitive national pride of nations.[17] He further discouraged this line of thought by saying that the purpose of ERP

[17] *House Hearings*, Part I, p. 288.

was "to create a continent that can be free of the need for armaments." A third Congressman, Mr. Vorys of Ohio, was still not satisfied and continued to discuss the security value of ERP. Mr. Forrestal then said that a restoration of national confidence would mean a more effective military force, but,

> ". . . the impression I did not want to leave is the impression that we were hoping to spend this money to create a great concert of military force. That is, I think, illusory. You cannot depend upon that to provide us with security." [18]

Mr. Forrestal's point was reaffirmed by Secretary of the Army Royall who stressed ERP as being the wise alternative to military expenditures.

Even before the passage of the ERP legislation, the initial steps were taken in the drive for the Atlantic Pact and MAP which came to fruition a year later in 1949. The first move was made by President Truman in his address to Congress on March 17, 1948 at a time when there was considerable alarm over the recent Communist coup in Czechoslovakia. The President noted that on the day he was speaking five European nations—Britain, France, Holland, Belgium and Luxembourg—were signing a military pact. This treaty said the President, "deserves our full support." He was confident that the United States would "by appropriate means" give these nations the help which the situation required.

No specific mention was made of military aid, but it was obvious that the Brussels Pact had come into existence with the encouragement of Washington and that there had been some implicit American commitment.[19] By early April, columnists favored by the Administration were announcing that, "The next and biggest step of all is just ahead." [20] This step was to be a formal alliance with the Brussels Pact nations, to be approved by the Senate. If senatorial resistance was too great, the same column reported,

> ". . . some technique for demonstrating bipartisan support must be evolved. One possibility is a resolution sponsored by Vandenberg in the Senate."

This technique was used two months later.

[18] *Ibid.*, Part I, p. 244.

[19] Secretary Johnson in his testimony on MAP said that the military program "was conceived and developed slightly in advance of the formulation of the North Atlantic Treaty." *House Hearings on the Mutual Defense Act*, p. 45.

[20] Joseph and Stewart Alsop, "Treaty with Western Europe," *New York Herald Tribune*, April 7, 1948.

On June 11, 1948, by a vote of 64-4 the Senate passed the Vandenberg resolution after it had been unanimously approved by the Senate Foreign Relations Committee of which Mr. Vandenberg was then chairman. The circumstances selected for the passage of the resolution were most favorable. As one pro-resolution observer reported,

> "The vote on the resolution, however, was somewhat misleading. It was not the subject of detailed debate. The Senate did not really weigh the implications of the principle. The resolution was passed in the last hectic hours of the session by a Senate which was assured that no commitment was involved and that the issue would be debated again before any real commitment was taken." [21]

Not only was the timing of the resolution skillfully handled but it was also packaged very attractively. The drafters of the resolution recognized that goods which are slow to move off the shelves can easily be sold if they are tied in with more desirable products and wrapped together. In the spring of 1948 there was considerable public and congressional concern about the future of the United Nations, and sentiment favored some reforms to make it a more workable organization. The Vandenberg resolution therefore opened with a profession of faith in the United Nations. It was the objective of the United States to achieve peace and security through the U.N. "so that armed force shall not be used except in the common interest." The first stated objective of the resolution was the limitation of the use of the veto in the U.N. The fifth objective called for "maximum efforts" through the U.N. to achieve reduction of armaments. Between these two articles, to which no one would object, were tucked objectives two, three and four which made possible the Atlantic Pact. In the House where a similar resolution failed to pass it was packaged as an amendment on a bill to provide the U.N. with a loan for the construction of its New York headquarters.

On May 1, 1948, a report from London said that the Brussels Pact nations had already prepared a "must" list of arms to be supplied by the United States on a peacetime lend-lease basis. The Administration decided, however, to de-emphasize the arms program and to concentrate its efforts on the treaty. "Guided by the wishes of the Senate," the State Department opened conversations with the representatives of the Brussels Pact nations and with Canada. By the

[21] James Reston, *New York Times*, July 11, 1948.

fall of 1948 the press was discussing the new North Atlantic Pact which would be submitted to the next Congress.

The principles of the treaty were expounded publicly by the State Department in January 1949, but the actual text was not released until mid-March, a few weeks before Secretary Acheson signed for the United States.

The Secretary of State opened the Senate hearings at the end of April with a warning of the "sense of insecurity" and the "fear of aggression" which hung over Europe. Ambassador Austin put the case more graphically when he spoke of this fear "gripping the souls" of Europe and palsying their efforts. Other official witnesses continued on the same theme. Continuation of this fear was, of course, the Dire Consequence which would follow rejection of the Pact.

It was a persistent sort of fear. It had existed before ERP was passed and three months after the Pact was ratified it existed once more. Official testimony in behalf of MAP found the same fear continuing. Possibly this fear was not of Communist aggression, which all testimony assumed was foremost in European minds, but fear of a Soviet-American conflict in which Europe would be the battleground.[22] In any event the salvation of Europe, effected first by ERP and then by the Atlantic Pact, now rested on MAP. Each in its turn was the "Inevitable Next Step."

At many other points the appeals for a thrice-saved Europe were duplicated by testimony on the Atlantic Pact and MAP. Secretary Acheson initially told Senators that a vote for the Pact left them with some obligation in principle to support the military program appropriation. But when Senator Connally objected to such a tie-in, the Secretary restated his case in a way which reduced the obligation to zero. General Bradley, testifying on the Pact after Acheson, said that it was his understanding that the Treaty did not "imply any expenditure."

At several points official testimony on the Pact was not as polished as it had been in regard to earlier legislation. Secretary of Defense Johnson, for example, showed ignorance of a vital aspect of international developments when asked about the military operations of

[22] See the critique of this point by Grayson Kirk, "The Atlantic Pact and International Security," *International Organization*, vol. 3, (May 1949), pp. 239-251.

this country's new allies. The following exchange took place at the Pact hearings:[23]

> Senator Donnell: There are two of the signatories, are there not who are at present at war with their own colonies, namely France and the Netherlands?
> Secretary Johnson: Just what do you want to know about France and the Netherlands along that line?
> Senator Donnell: Are they at war with their own colonies, any of their colonies, at this time?
> Secretary Johnson: I do not know.
> Senator Donnell: You know of the Netherlands being at war in Indonesia, do you not?
> Secretary Johnson: I know that they were.
> Senator Donnell: Very well.
> Secretary Johnson: I saw in the paper that France was having some troubles, I believe with Morocco or someone. But you are asking me about some knowledge of which I do not possess as an expert, and where I do not know, I am not going to answer."[24]

The Secretary also had the misfortune to have made a speech to the Daughters of the American Revolution, as a private citizen, in April 1948, attacking the idea of the United States joining that military alliance.

> "I am not in favor of this. Instead I wish to propose a different solution. Military alliances are not in the tradition of the United States. We have no means of influencing the policies of European governments, and have no desire to dominate their affairs. We cannot give to any foreign nation or group of nations the power to say when the United States should go to war." [25]

Colonel Johnson went on to say that the United Nations had made the language of military alliance out of date and that it was the job of the United States to keep the peace through the machinery of the United Nations. But, as he later told Congressmen, he had not realized in 1948 that the Brussels Pact was not to be "a purely western European military alliance." Having returned to an official position in the government he could see that the Atlantic Pact was a "logical extension of the time-honored Monroe Doctrine."

[23] *Hearings Before the Committee on Foreign Relations, The North Atlantic Treaty*, Part I, p. 186.
[24] In the four months preceding the Secretary's testimony, the *New York Times* carried over 35 news stories on France's war in Indo-China. Knowledge of this conflict's existence was not confined to "experts."
[25] *Proceedings of the Fifty-Seventh Continental Congress*, p. 127.

When it came time to sell MAP, the Administration had grown confident of its ability to sell Congress any program it desired. The Military Assistance Act, as it reached the House, authorized the President to give assistance to "any nation" using any means and on any terms which he deemed appropriate. If this blank check were not enough, "nation" was defined as any foreign government or any group of people which the President might designate as a "nation." Such was the attitude of the majority of members of the House Committee that this text went virtually unchallenged. In the Senate, however, the Administration used a more cautious wording.

Congressmen Merrow and Javits, having proposed an integrated defense program as early as January 1948, asked in the MAP hearings for concrete steps toward unification before military aid was given. Secretary Acheson, like Secretary Forrestal before him, again stressed the strength of existing European nationalism which outsiders could not change. At the same time he expressed Great Expectations for future European military unity. Mr. Harriman went further and discovered that one of the reasons for the drive of European nations for self-sufficiency was the "desire to have a rounded industrial production within each nation for their military production. He was hopeful that the aid from the United States would remove this desire.

After a long series of requests to Congress, each with the implication that it was final, it was to be expected that there might be some interest in the full price which was to be paid on future military aid to Europe. Mr. Acheson insisted that he was asking only for an interim appropriation. Thereafter, he said, "the Congress is free to do what it considers wise and best about the matter." Secretary Johnson called the MAP appropriation "self-limiting." "Self-perpetuating" might have been a better description judging by experience with previous commitments.

Both Houses finally passed MAP, but recalcitrant Representatives were able to cut a few millions from the bill. On September 23rd, President Truman made his sensational announcement of the atomic explosion which had occurred in the Soviet Union within "recent weeks." Stirred to a new "sense of urgency" by an event which scientists had predicted would be inevitable, the Joint Conference of the House and Senate hastened to authorize the full sum which the Administration had requested.

The validity of some of the expectations expressed in regard to MAP can be tested only by the passage of time. When Senator Lodge, for example, asked whether a Mediterranean Pact and then a Pacific Pact would be the next steps to be presented to Congress, the Secretary of State echoed statements made in 1946, 1947 and 1948: there were, he said, "no further arrangements under contemplation at the present time."

Merchandising and Democracy's Future

Although there are areas and issues of foreign policy in which the executive has won the genuine cooperation of Congress with a simple presentation of facts, the instances cited above are all too typical. The use of salesmanship techniques to win consent has become a normal procedure. Each major legislative measure is treated as "a bill of goods" with congressmen as so many "prospects." This innovation is hailed as a "modernization" of traditional democratic procedure.

Congressmen, however, do not have the legal protection of the buyer against fraud and excessive advertising claims. They have no recourse but to follow the injunction of *caveat emptor* and to maintain a critical attitude toward the programs offered. They must question the statements of each official "salesman." They must weigh the merits of each piece of legislation independently of the claims of its sponsors. When Congress has taken this attitude on foreign policy issues, it has been called "obstructionist" and attacked for violating the bipartisan truce. But in many instances congressional resistance has been provoked by the methods used in pressing for action. A sound foreign policy obviously requires close executive-congressional collaboration, but it can not be achieved permanently by the techniques which have been outlined here.

On one point, the official testimony from the British Loan onward has been sound, all sales talk notwithstanding. Democracy is in danger. But not all that danger rises east of the Stettin-Trieste line. Democracy in the United States is in danger when the legislative body can no longer be trusted to make decisions by weighing issues soberly.

There are those who feel that democratic control of foreign policy is not compatible with democracy's survival in a world of force. According to this point of view, Congress should abdicate its powers

and confine itself to "domestic" issues. Democracy can not afford the luxury of slow decisions. Congressional functions must be strictly limited.

Whatever the validity of this premise, it would mean the decay of the system of checks and balances by which the authors of the Constitution sought to prevent the growth of tyranny. Granted the demerits of party politics, granted the lag which has occurred between the philosophy and program of an able administration and that of a mediocre Congress, no more effective system has yet been devised to check the excesses of power than that of congressional consent.

Tito and the United States: An Italian View

"When grownups want to please a baby, they give him toy trains, little guns that make 'boom' and noisy trumpets. With this same spirit of affectionate cordiality, the United States has given Marshal Tito a pretty steel mill, well equipped to make . . . what? We suppose little cannons and toy swords. This is the least one can think.

". . . Some people still wonder why the United States gives so much rope to a dictator. Didn't the western democracies ally themselves during the war with Stalin? At that time that dictator was useful. Now another dictator is useful."

Il Travaso (Rome)

FOREIGN VIEWS

BRITISH COMMENTS ON DISMANTLING

—"The Russians have ruthlessly stripped eastern Germany of industrial equipment. But they have recognized the psychological value of speed, and of completing, or appearing to complete, their dismantling programme. One of the main grounds of western Germany opposition to dismantling is that it is still going on, more than four years after the end of the war. To have permitted that delay, whatever its causes, has been the cardinal mistake made by the western Allies. Another error has been to omit . . . to make and announce detailed plans of alternative provision for the displaced workers and pensioners. This "bread and butter" aspect of the dismantling problem has been consistently ignored by the Allies. They have failed to realize that a worker in a factory about to be dismantled is quite unmoved when told that it is to disappear as the result of some high-level agreement in London, Paris or Washington. What he wants to know is where his wages and his pension will come from in future. And that is a question the vast Allied information services have never really answered. Finally, the Allies have failed to convince the Germans of the genuineness of the principles, either ethical or economic, upon which the dismantling programme is based. Nothing is heard by the Germans—or indeed by anyone else—of the ultimate fate of the plant taken out of western Germany as reparations; if it is, in fact, assisting in the reconstruction of the devastated countries. For all the Germans know that plant may be rusting on railway sidings all over Europe. Altogether, the Allies have not, since 1945 devoted nearly as much attention to the psychological approach to the Germans as they did during the war. Had they done so over the dismantling issue there would be fewer hard feelings about the western Allies among the Germans

than there are to-day; and the future of western Europe would have been that much brighter."

Spectator in *The Fortnightly*

"—What is needed is a British policy in Germany which is as openly political as either the Russian or the American. The German supporters of democracy will never be able to defeat the Nationalists unless they are actively assisted from outside and stiffened with a European backbone. Mr. Bevin should shift his attention from dismantling at Oberhausen to the Ruhr Control Authority at Dusseldorf and the European Assembly at Strasbourg, where the two decisive battles for the future of Germany will be fought. He should make it clear, first, that, along with the French, we are concerned not with pulling down a few plants but with strictly enforcing a genuine disarmament of Germany; and secondly, that we are working for a European Union in which a peaceful Germany can play its full share. He should strenuously and openly support the S.P.D. in its policy of nationalizing the heavy and chemical industries and its indictment of the grossly anti-social "recovery" staged by the free enterprisers at Frankfurt. It is too late to de-Nazify Germany by order from on top; and it is far too late to dismantle her plants. What a Socialist Foreign Secretary should seek to do is to ensure that, in a Germany free to manage its own internal affairs, the democratic forces have the support of Britain acting on behalf of the European peoples."

"The Irrelevance of Dismantling" in
The New Statesman and Nation

ARAB REFUGEES FROM PALESTINE: A WORLD PROBLEM

by FRED W. RIGGS

Hopes for permanent peace in Palestine now rest on the efforts of the United Nations Palestine Conciliation Commission meeting in Lausanne, Switzerland, with representatives of Israel and the Arab states. But before permanent settlements can be worked out on major issues such as boundaries and the status of Jerusalem, agreement has to be reached, at least in principle, on the disposition of the Arab refugees. There are some 700,000 of these people whose homes were in the territory now occupied by the new Jewish state and who fled Israel during the Arab-Jewish hostilities.

Early in August 1949, Israel offered to accept some of these refugees, perhaps 100,000. This concession, announced after increasing pressure had been put upon Tel Aviv by the United States and by world opinion, appears to have broken the stalemate in the negotiations which began in April. The Arab states had insisted that they could not discuss a final settlement until the right of all refugees to return to their homes, as stated in the U.N. General Assembly resolution on December 11, 1948, had been accepted by Israel. In reply, Israel maintained that the admission of these Arabs—potential fifth columnists—before peace terms had been agreed upon would jeopardize the security of the new government.

The injection of hopes for American and other international aid to finance resettlement projects, as implied in the dispatch to the Middle East of the U.N. mission headed by Gordon R. Clapp, put the whole problem in a new perspective. The refugees had been regarded by the Arab states as pure liabilities. Suddenly they became a potential asset. They might be used as the basis for claims for foreign capital or as the means of developing programs which would strengthen the economies of the Arab states.

In Israel, where Jewish immigration is already overtaxing the resources of the new state, government leaders had been especially anxious to avoid making any concessions on the refugee question. They have hoped that this issue might be used as a major bargaining

point in obtaining Arab recognition of armistice agreement boundaries which give Israel more territory than was originally provided in the U.N. partition resolution of November 1947. As Arab willingness to accept refugees increases, however, the value of the issue as a bargaining point for Israel decreases. Consequently, Tel Aviv agreed to accept a substantial number of refugees.

In addition to the 700,000 uprooted Arabs there are some 240,000 inhabitants of territory around Israel who have lost their means of livelihood as a consequence of the recent hostilities. The condition of both groups—nearly a million all told—threatens to become explosive. The funds appropriated by members of the United Nations to provide food and other relief needs for these people will run out this year. Future relief, as well as rapid disposition of the problem through repatriation and resettlement is, therefore, urgently needed.

I

The solution of this staggering human problem has been immensely complicated by the bitter controversy between Israel and the Arab states concerning responsibility for the exodus. The Jews claim the Arabs brought the problem on themselves by their military intervention; they disavowed responsibility for doing more than compensating the refugees for their lost property. The Arabs, however, blame Israel for the evacuation, and insist that they can not agree to any peace settlement as long as this large group of people remains a burden on their national budgets.

It is difficult to make a just appraisal of responsibility. Jewish leaders had early indicated their intention to afford full equality of rights to the Arabs in their new state. The Constitution of Israel provides that there shall be no discrimination of any kind between the inhabitants of the state on grounds of "race, religion, language or sex."

It was perhaps inevitable that despite these admirable declarations, long-standing fears and mutual suspicions should lead to overt violence, particularly as the emergence of a new Jewish state became imminent. Incidents of terrorism took place on both sides. On April 9, 1948, the 240 Arab inhabitants of the village of Dair Yasin near Jerusalem were massacred by the Irgun Zvai Leumi. This action was promptly repudiated by the Jewish Agency, but the news of the incident, magnified as it traveled by word of mouth, spread panic to the Arab population.

On April 21, as the British began to withdraw from portions of Haifa, units of Haganah and the IZL attacked and gained control over the Arab-held quarters of the city, killing Iraqi and Syrian irregulars who defended the area. The majority of the 62,000 local Arab population fled. The Jews apparently urged them to stay, but took no steps to prevent their departure.

An eye-witness whose report of the situation was quoted in the London *Economist,* October 2, 1948, states that various factors influenced the decision to flee, including the Dair Yasin massacre, but that the most potent cause was the radio statement by the Arab Higher Executive, urging the Arabs in Haifa to quit. The reason given was the intention of the Arab states to invade Palestine and "drive the Jews into the sea," with the intimation that those who remained would be considered renegades.

In January 1949, Moshe Sharett, Israeli Foreign Minister, stated that the exodus was encouraged by Arab leaders and the British, and that it had been turned into a stampede "by sheer unreasoning panic plus the unwillingness of many Arabs to live in a Jewish state." [1] Since then, this view has been repeatedly reaffirmed by Israeli spokesmen at the United Nations.

On the other side. Khalil Totah, Executive Director of the Institute of Arab-American Affairs, charged that people would not abandon their homes, occupied for over a thousand years, for such flimsy reasons as the Arab League radio broadcast. Instead, he maintained, they "fled in wild terror for life itself and for the honor of their women and girls." He added that neutral observers have confirmed the view that the Zionists aimed to "strike terror in the hearts of the Arab population and thus force them to flee their homes."

The Arabs, of course, would not agree that their troops entered Palestine as invading armies, but rather at the request of the indigenous Arab population which sought protection from what it considered the invasion of the Jews. Perhaps the most telling summary of the situation has come from the pen of Victor Gollancz, the noted English Jewish publisher and writer who, in a series of letters to the press, charged that people were excusing themselves from helping the refugees by attacking "Zionist nationalism, Arab irresponsibility, British intransigence and American opportunism." "The real responsi-

[1] *New York Times,* January 17, 1949.

bility," he wrote, "lies with the wickedness in all our hearts and the history in which we are all, as human beings, involved."

II

Whatever the final allocation of specific responsibility, in a broader sense the plight of the Palestinian refugees is a concern for all mankind. The United Nations bears a particular responsibility since, as Count Bernadotte pointed out, the refugees have become stateless persons without any government to represent them. Moreover, upon the termination of the Palestine mandate in May 1948, they became wards of the U.N. It has also been argued that the members of the United Nations are responsible for the consequences of their decision to recommend partition. Finally, as a matter of practical politics, it is important for the Western powers to solve a problem which is intensifying the anti-Western sentiment and internal instability of the Arab nations.

Count Bernadotte reported in September 1948, that the "situation of the majority of these hapless refugees is already tragic." The problem was accentuated because of the high proportion of the refugees belonging to the vulnerable categories. According to a survey by the U.N. Mediator, 85 percent were children, pregnant or nursing mothers, aged, sick or infirm. As of August 1948, almost a quarter of the refugee group were living in the open. Many had crowded into existing homes, adding to the unsanitary conditions. Others had constructed crude shelters with the few materials available or dug holes in the ground. A beginning was made in establishing emergency camps, but inadequate and unprotected water supplies added to the health menace. The approach of winter intensified the need for shelter and blankets.

In this desperate situation, the Arab governments and peoples rose to the emergency. Sir Raphael Cilento, director of the U.N. Disaster Relief Organization, stated on December 22, 1948, that 90 percent of all the supplies received by the refugees, had come from Arab sources, private and public. The proportion has undoubtedly diminished since that time; nevertheless, the fact is of great importance and has been largely overlooked in the American press.

Transjordan and Egypt first undertook to supply the refugees in the northern and southern areas of Palestine respectively, providing

500 grams of flour (about one pound) per day, plus a small amount of money for the purchase of supplementary food items. Distribution in some areas soon fell to 300 grams, then to 150, and in few places completely ceased. Syria distributed a cash allowance to all refugees over the age of ten, established a reception area, organized some feeding, and provided medical supplies as well as 20,000 blankets. Lebanon set up camp sites, furnished some flour and provided three Lebanese pounds (almost a dollar a month) per refugee. Egypt gave a million dollars for local purchases and established a camp at Kantara.

It soon became evident that the Arab states could not take care of the needs of the refugees unaided, and an appeal was made to the U.N. Mediator. On August 12, 1948, Count Bernadotte asked the U.N. International Children's Emergency Fund for assistance. The Fund authorized shipments not to exceed $411,000, plus shipping costs, for a two month program. This aid was also to include help for Jewish refugees—some 12,000 children and 8,000 women—in Israel, as requested by the Provisional Government. Subsequently, the U.N. Children's Emergency Fund appropriation was raised to $6 million and constitutes the most important contribution from the U.N. specialized agencies.

To increase the immediate aid, the Mediator sent requests to 24 states for food and other goods. The United Kingdom offered ten thousand pounds for the purchase of tents and medical supplies in the Near East, Australia promised a thousand tons of wheat plus cheese and butter, and various other states offered to supply requested items. The United States could not send supplies without congressional authorization, but offered the cooperation of private agencies. Ceylon offered 50,000 rupees; Ethiopia, 5,000 pounds; India, 100,000 rupees; and Venezuela, 50,000 bolivares. No replies were received from the Soviet Union or any of the eastern European countries.

Consequently, the Mediator set up a short-term program to carry through into the winter when, it was hoped, a permanent program would be established. Various specialized agencies of the U.N. were approached, including the World Health Organization, the Food and Agriculture Organization, and the International Refugee Organization; also private agencies such as the Red Cross and the World Council of Churches. To integrate these group activities, Disaster Relief headquarters were set up in Beirut in September 1948. Volun-

teers provided by the International Red Cross and the World Council of Churches worked closely with local Arab officers and refugee leaders. Agreements were concluded with the Arab states providing for the admission of all goods duty-free and for free warehousing and transportation.

In mid-October 1948, the Acting Mediator reported that the aid given so far was still small in relation to actual needs, "almost insignificant compared with the requirements of the crisis that is now developing." Dr. Bunche estimated the cost of care for 500,000 persons for nine months from December 1948, to August 1949, at $29.5 million. On November 19, 1948, the General Assembly approved the Bunche recommendations, adding $2.5 million for administrative costs, authorized a $5 million advance from U.N. capital funds to start operations, and called on member states to make up the budget by voluntary contributions. The Secretary General later appointed Stanton Griffis, U.S. Ambassador to Egypt, as Director of Relief for Palestine Refugees.

The United States sought an allocation of $16 million from Congress, or one half of the total amount estimated, as its share of the budget. On March 22, 1949, President Truman signed a bill authorizing this amount, and a check for $8 million was given to the Secretary-General in April as an advance payment. Meanwhile, in Congress the appropriation bill finally passed with a reservation that the final $4 million should not be paid until other "parties to the U.N. agreement" had met their obligations. The contributions from other states now having reached nearly $16 million, the full sum of $32 million should soon be realized. Since the number of refugees has greatly exceeded the original estimates, and the terminal period already elapsed, the need for new emergency funds has already become acute.

Private agencies also came forward with generous offers of assistance. These contributions came from the Near East, Turkey and Greece, the Danish Save-the-Children-Fund, and from the efforts of Victor Gollancz in England, as well as from church organizations and business concerns in the United States.

Meanwhile, on the administrative level, the Relief for Palestine Refugees signed agreements with three private agencies: The International Committee of the Red Cross, the League of Red Cross So-

cieties, and the American Friends Service Committee. These agencies were to handle the distribution of supplies, each being responsible for refugees in a certain region.

III

There can be no real solution until the refugees are once more employed in self-supporting occupations, either by repatriation to their former homes in what is now Israel, or through resettlement elsewhere.

The first efforts toward repatriation were initiated by Count Bernadotte in the course of consultations during June 1948. In a letter address to both parties, Count Bernadotte proposed, among other things, that "the right of refugees to return to their homes without restriction and to regain possession of their property" should be recognized. Subsequently, on July 26, he wired Foreign Minister Moshe Sharett, making proposals for immediate limited repatriation, and suggesting that differentiation might be made for security reasons between men of military age and others.

In his reply on August 1, Mr. Sharett rejected these proposals, indicating that the problem had military, political and economic aspects, disregard of which might serve to aggravate the existing difficulties. He felt that "security considerations alone make it impossible for the Provisional Government to agree . . ." and that the problem could not be considered by his government until the Arab states were ready to conclude peace with Israel. He nevertheless mentioned his sympathy for the refugees, saying that "our own people have suffered too much from similar tribulations for us to be indifferent to their hardships." Attributing the refugee situation to the action of the Arab governments and the great powers, he said that these states, after attempting to undermine and destroy Israel, could not, having failed, then require the state of Israel "to take over the liability for the results of their own reckless action."

Developments in Israel have made the prospects for large-scale repatriation more and more remote. Arab properties in the cities have been taken over by the government. Arab homes have been distributed to Jewish occupants as the continuing influx of Jewish immigrants has intensified the pressure on available living space. Although records of property have been kept for purposes of ultimate indemnification of the original owners, restoration of property could

only be accomplished by evicting the new tenants. In the countryside, numerous villages have been destroyed as a consequence of the war or have been demolished to make room for new Jewish settlements.

These drastic steps were authorized by a government decree of December 12, 1948, establishing an administration to take over all property in Israeli-controlled areas belonging to "absentees." This new term covered both citizens of Arab states and those who left their "normal place of residence."

The Arab exodus has had two consequences of immeasurable value for the new state: it has vacated a great deal of land for the settlement of incoming Jews, and it has removed the huge minority population which would have been a tremendous liability. Thus, while Israeli leaders vigorously deny that they in any way encouraged the exodus, they readily admit taking advantage of this "piece of unexpected good fortune."

The urgency of Israel's own settlement problem was indicated in a press report from Tel Aviv on July 22, 1949, which stated that of 250,000 immigrants who had entered since the proclamation of the new state, 120,000 were living in abandoned Arab villages, and another 60,000 in temporary camps. The government is already taxing its own resources, besides drawing on large-scale foreign voluntary contributions, to care for the immigrants who continue to pour into the country. Growing discontent in the camps, coupled with increasing unemployment, is feeding the strength of the opposition parties. The leftist Mapam has taken the lead in criticizing the government for offering to admit even a small percentage of the refugees.

IV

Despite these internal difficulties, Israel has promised to contribute to the resettlement of the refugees elsewhere, although it will not pay for land. It holds that the Arab states should provide land out of their own surplus. Various experts have described the great possibilities for reclamation of Near Eastern land, now hopelessly eroded for lack of conservation measures. In Iraq, especially, vast areas might be opened for agriculture through irrigation projects, and more people could make a living farming the lands made productive.

Jewish immigrants in Palestine have demonstrated how arid wastes can be made to bloom once more as they did in ancient times. Joseph B. Schechtman, a student of resettlement problems, in a recent book, *Population Transfers in Asia,* has proposed Arab-Jewish exchanges by treaty agreement to aid Jewish minorities throughout the Arab world wishing to go to Israel, and to assist the resettlement of Palestinian Arabs, especially in Iraq. The idea, as a matter fact, is not new. Originally proposed by private individuals, it was given official support by the British Royal (Peel) Commission in 1937, and has since been discussed at various times, though without positive results.

The initial Arab response to the idea of resettlement was extremely hostile. M. N. Hawari, who came before the U.N. Palestine Conciliation Commission in Lausanne on May 6, claiming to speak for a Congress of Arab Refugees, stated that through his group liaison had been established with refugees throughout the Near East, and that they would soon rise in violent rebellion unless they were permitted to return home. Another spokesman for the refugees declared that "there will be trouble unless the people can return to tend the orange groves by the end of this month."

Apart from political obstacles to resettlement, the major hurdle is the cost. The reclamation of land on a large scale represents a tremendous capital investment, something the Arab states themselves, with their already precarious national budgets, can scarcely be expected to finance. The implications of this fact were brought out in the House of Lords on March 29, when Lord Henderson, Under-Secretary for Foreign Affairs, stated that the Government was ready to cooperate in large-scale development projects in the Arab countries. He mentioned specifically a Jordan valley irrigation program, increased cultivation in the Jezira grain district in Syria, and the watering of some two million acres in Iraq.

For practical purposes, the policy of the United States, the chief lending country in the world, may alone determine the feasibility of any resettlement scheme. Accordingly, the proposal put forward by Assistant Secretary of State McGhee may well prove the decisive factor in working out a final solution. According to this plan some 500,000 Arabs would be resettled in Syria, Iraq, Jordan and the non-Jewish parts of Palestine. The program would be set up under the supervision of the United Nations. Contributions would come from

various countries including those of the Middle East as well as the United States, from private business concerns and from international lending facilities. The American proposal, however, is predicated upon a close degree of cooperation between Israel and the Arab states.

The U.N. economic survey mission, headed by Gordon Clapp, chairman of the T.V.A., is now evaluating proposed development plans for the Middle East. Despite the suspicions of Arab leaders and opposition of refugees to resettlement schemes, this mission may produce constructive proposals for settlement of the refugee problem.

The government in Tel Aviv has indicated that it would pay compensation for Arab properties to an international claims organization. Moreover, President Chaim Weizman of Israel declared, on July 16, that his government would help in the resettlement work, provided peace were established and the Arab states did their part. So far, Israel has not contributed toward the relief of the refugees, although it has not attempted to expel several thousand Arabs who have returned surreptitiously. Israel has also paved the way for legal entry of relatives of present residents.

The London *Economist* on October 13, 1948, commented that the Israeli policy toward the refugees was "political stupidity," that "a new nation should reflect that it is never politic to make bad neighbors, or to do-as-you-were-done-by when what was done to you is so manifestly wrong." By providing funds for resettlement, to say nothing of furnishing expert advice and specialized knowledge, Israel now has a chance to mitigate to some extent the enmity of the Moslem world.

V

Programs for the resettlement of the refugees will inevitably have consequences beyond the immediate solution of the political dispute in Palestine. They will necessitate fundamental adjustments within the various Arab states.

One important factor to consider in this connection is the fact that large numbers of Palestinian Arabs had already become accustomed to a substantially higher standard of living than that which had prevailed in the neighboring countries. Not only had they benefitted directly from the Jewish development programs, but many had made efforts to develop their own resources, especially in the cultivation

of orange groves. Moreover, they had seen what could be achieved by modern scientific agricultural practices and by small industries. Consequently, they will not be content in their new environment unless they are able to establish a standard of living at least equal, if not superior, to what they had in Palestine. In turn, the indigenous populations of the Arab states will not be content to see the refugees attaining better living standards than themselves. In this connection, the McGhee plan recognizes that general Arab standards of living must be raised.

The impact of refugee resettlement will, of course, be added to that of the defeat of the Arab armies. As the implications of their military defeat begin to be realized, Arab leaders may turn their attention from fulminations against the Jews, to attempts to put their own house in order. Although the motivation for reform in many cases may be the desire to build up the military strength of the state, the effects might be to bring about important internal changes. Faced with the urgent necessity of caring for the refugees, Arab governments may not be able to postpone reforms which have been long overdue. These reforms relate primarily to the system of land tenure, which is the chief obstacle to progress in the agricultural states. There are in the Arab states many western-trained engineers and experts who wish to bring the advantages of science and industry to their native lands, as the Zionists have done. They are generally frustrated in their efforts by the land-owning class, which prefers its present mode of luxurious and exploitative existence to development projects whose precondition is agrarian reform. The absentee landlord extracts such a large percentage of the product of the land from the *fellahin* that the peasants have neither the resources nor—in their disease-ridden and illiterate condition—the energy or ability to improve their lot. Since a redirection of funds can only be accomplished by heavy taxation or dispossession of landlords, this group, which has a tight grip over each government, effectively blocks reform efforts or directs them into secondary activities.

The emergency created by the influx of refugees, however, may force government action. Resettlement schemes will necessarily involve the use of modern methods of irrigation and soil reclamation. They will bring into play the pooled energies of western-trained leaders in each Arab country, the Palestinian refugees themselves, and

foreign advisers from the west, and even from Israel. As the landlords see the possibilities for extracting rent from these projects they will probably seek to extend their sway over them. If refugees are allowed to become indebted, the landlords will try to impose upon them some form of permanent dependency. If means can be found to finance the projects which will enable the new settlers to emerge as independent agriculturists, the results may have profound effects on the rest of Arab society. Demonstrated success in Arab agriculture and industry, combined with the increased strength and prestige that will come to the leaders of the new developments, may so weaken the grip of the landlords that they will be forced to give way and permit similar reforms within their own holdings.

Failure to make progress along these lines—a failure accompanied by an increasingly desperate struggle of the landlords to retain their power—must lead ultimately to a violent explosion. In such an explosion the group most likely to emerge in the position of power would be one with the coordinated leadership and direction which only the Communist Party is now in a position to give. The likelihood of such an explosion would be accentuated if, instead of planned resettlement, the Arab refugees were permitted simply to drift into present agricultural areas, there to bid against the local tenants and further raise rentals and lower living standards of the sorely pressed *fellahin*. A report from Beirut indicates that Arab Communists, under the leadership particularly of Emile Touma, a Haifa Arab, are extending their underground activities throughout the Moslem world.[2] They have been particularly successful in winning a sympathetic hearing from the disconsolate refugees, who are willing to turn to anyone promising them an end of their troubles.

Thus, the rapid and constructive solution of the Arab refugee problem is seen to be an essential part of the settlement of the whole Palestinian question. The tragic irony which has brought untold suffering to thousands of uprooted Arabs as a by-product of the attempt to find a solution for the dispossessed and persecuted Jews may result in changes affecting in immeasurable ways, the total prospects of the Moslem world.

[2] *New York Times*, June 7, 1949.

Mr. Fred Riggs is a member of the research staff of the Foreign Policy Association.

WORLD FEDERATION: AN ILLUSION

by ROBERT G. NEUMANN

In troubled times and after wars people seek a panacea which will, they hope, set all things right by one major action. Recently, the seekers of cure-alls have turned their believing eyes to world federalism and similar ideas of world government. That these people are motivated by the highest and most honorable intentions is not to be doubted. But their wisdom and judgment are quite another matter.

To be realistic, one must concede the argument that the United Nations is incapable of guaranteeing the preservation of peace. The U.N. enforcement machinery is based on the contention that only those states which are physically capable of using force against an aggressor nation should be invested with such a responsibility. Consequently enforcement is possible only when those nations act in concert. It stands to reason that when the biggest and most powerful states are united in purpose, any threat to the peace can come only from minor nations, and such a threat, while perhaps irksome, is not likely to constitute a major world catastrophe. But when one of the big nations is involved in a dangerous conflagration, a real threat to world peace exists. In such a situation, the big nations obviously do not act in concert, and united enforcement measures are made impossible by the very nature of the U.N. To give additional power to the U.N. is therefore quite useless since it is not the extent of its power which has caused the present deadlock, but the inability of the major powers to agree on its use.

World federalists place their faith in written constitutions and charters. They act as though the U.N. had failed to work effectively because the Charter is poorly constructed. Mr. Chester Bowles, for instance, suggests in a recent article,[1] a revision of the Charter in order to put teeth into it, which presumably means an abolition or curtailment of the veto. But the United Nations assemblies are not quarrelling over the veto; they are quarrelling over Germany and the Ruhr valley and Korea and Iran and many other areas. It is difficult to see how a change of organization would affect these problems in

[1] Chester Bowles, "World Government—Yes, But . . . ", *Harpers*, March 1949.

the slightest. It is here that we come to grips with the basic misconception of world federalists.

The current tense situation is said to be the result of mutual fear among the principle powers, especially the United States and the Soviet Union. It is argued that both these nations would therefore benefit from joining a world state in which an act of aggression of the one against the other would be made impossible by police action. Even if one could think of coercion of such vast continental empires as the United States or the Soviet Union in terms of "police action" —obviously a bit of an understatement—the basic contention simply does not hold true. The Soviet Union prepared her present aggressive policy before any American action which could be called a threat appeared on the horizon. Most of the expansionist steps were initiated during the period of good will when the United States gave the Russians the information and most of the supplies they asked for, and when the cry of "bring the boys back home" had depleted the American military machine.

Moreover, if Soviet policy is the result of fear on her part, and she really wants peace and good will as much as the United States does, then surely she would do everything in her power to lessen the tension, provided this could be done without abandoning any important interests. In the absence of acts of good will on the part of the Soviet Union, it is difficult to see how the contention that her actions are based on fear of the United States can long be maintained.

On the basis of compelling evidence, on the basis of Communist statements from Lenin on, on the basis of the manifest self-interest of the Soviet Union as her leaders conceive it, an adherence of the Soviet Union to a world federation is obviously impossible. It is quite unnecessary to "ask" the Russians, as Mr. Bowles suggests. Their answer is a foregone conclusion.

But, say Mr. Bowles and his friends, why not ask them anyway? What possible harm can it do? The answer is that it can do a great deal of harm. No country wants war at this time, but there are circumstances under which any country will fight. The United States will fight if a member state of the Atlantic Pact is invaded—no matter what some senators may say. Similar conditions exist in the Soviet Union. Those who advocate "asking" the Soviet Union anticipate that the western world will first organize for world government in

order to make it very difficult for the Soviet Union to refuse. It is clearly intended that if the Soviet Union refuses, the Western Powers will regretfully go on without her. The official publications of the United World Federalists have made it quite clear that that is what they would advocate.

In that situation, the Soviet Union would find herself in a dilemma. She could not join the world federation without giving up much of what she has fought for and believes in. But she could not accept with equanimity the creation of a world bloc without her, for such a bloc would help to consolidate the capitalistic system. More important, she would see in such a bloc the creation of an overwhelming coalition capable of taking very drastic action against her. Faced by such a threat, the Soviet policy makers might well decide to attack in order to break out of such a frightening encirclement and destroy the coalition before it jelled into a (Western) World Government. To say therefore that it can do no harm to "ask" is far from true. By following their program, the proponents of world federalism may bring about the very condition which they are trying to prevent.

The world federalists set their hope in the effectiveness of an international federal constitution. In so doing, they ignore the very essence of constitutionalism. A constitution, written or unwritten, is designed to establish a certain type of order. This order may or may not be in the best interest of the citizens concerned, but it has no hope of being realized except through acceptance of its basic tenets by a majority of citizens. Such basic ideas need not be many, but they must include such things as the form and limitations of government (constitutional government is limited government), the relations between citizen and government, and the citizen's basic rights. American citizens may violate a law, they may be found speeding in a 25-mile zone or dashing through a red light, but few would ever deny the need for traffic regulations. If the only way to uphold law and order were strict law enforcement, half of the nation would have to be put into police uniforms in order to watch the other half. Where a law lacks such common acceptance, it will be violated to such an extent that it eventually passes into oblivion. The unhappy experience with the Prohibition Amendment is a point in evidence.

A legal order, a constitutional system, meets with general acceptance when it is in basic conformity with the accepted philosophy

of state and society. Otherwise the constitution is a piece of paper, nothing more. Those who set their high hopes in the creation of a world constitution usually have in mind the experience of the United States. But unfortunately the success of constitutionalism is the exception, not the rule, even in America. Beautifully drafted constitutions exist all over Latin America; yet they have not brought peace and order to most of those nations. Great expectations were placed in the ill-fated 1919 Weimar constitution of Germany. The numerous French constitutions, from 1791 to 1946, have not been able to heal the tragic split in that nation. Such examples could be repeated over and over all around the globe. The unfortunate truth is that where there is no common philosophy, no common acceptance of basic concepts, a constitution is of little use, and where there is that community of spirit, a formal constitution is not even necessary —as evidenced by Great Britain.

By trying to draft a "world constitution" and fostering it in a world which is characterized by the absence of common concepts and ideas, the world federalists build the house from the roof down. They act as though the deep-seated differences between nations—by no means limited to the United States and the Soviet Union—can be legislated away. But as to the methods of overcoming century-old differences, they are not nearly so explicit.

There is a tendency among Americans to pooh-pooh the idea of national differences. But in the older countries differences have been nurtured over hundreds of years. The countries concerned may be small, but some of them are worlds apart. Centuries of wars, devastation and teaching of nationalist history have left deep marks. That is not to say that closer relations and perhaps eventual union are impossible for all time, but they cannot be achieved overnight.

For example, the nations that participate in the Marshall Plan have been unable to agree on an economic plan even though this was the essence of the European Recovery Program. Disagreement continues among these nations in spite of their real common interests, their similar political philosophies and their full realization of common perils.

The problems of the Marshall Plan countries are infinitesimal compared to the tremendous issues involved in world federation. The problems of the western European countries are largely technical.

But no realistic approach to the plans for world federation is possible without coming to grips with the problems of ideological differences, habitual separation and traditional conflicts.

Can these gulfs ever be bridged? Perhaps. The prospects of progress are infinite. Great patience and much trial and error will be necessary. All real progress must take place in the hearts of men and that takes a long time. *But that time we do not have.* The fate of the world may well be decided in the next five or ten years, during which world federation is a manifest impossibility. World federalism is therefore not a contribution to the solution of our present difficulties. On the contrary it merely diverts public opinion from the real immediate issues.

World federalists usually keep one last argument ready, which is supposed to knock out whatever opposition remains. They dwell in great detail on the quite real horrors of atomic warfare, and then maintain that the world has in effect only two alternatives: either atomic war and doom of the human race, or world government.

Fortunately, things are not quite so gloomy as that. An all-comprehensive, long-range agreement between the United States and the Soviet Union probably is not possible. The differences of views are too many, the convictions on either side are too deep-seated. It is difficult to see how there can be enough common ground to allow for a lasting all-embracing compromise, and perhaps that is not even desirable, if it entailed final abandonment of a large part of the world to Communist dictatorship. But, short of a complete settlement, there are many problems which may be settled by partial and perhaps temporary agreements. This will not justify tranquility and the calm assurance that all is right with the world. But it will provide a measure of peace, at times an uneasy peace, yet still peace.

This is of course a disheartening prospect. It is not nearly as attractive as the bold flight into the dazzling vista of world federation. But history has proved time and again that people are not easily moved, and that progress may be an excruciatingly slow process. As mankind has moved through recorded history from smaller to larger social units, each step has been accomplished gradually, slowly, and often without coercion, as thousands of obstacles were overcome one by one.

The immediate task then is to tackle as many as possible of the problems which create friction, and try to find solutions for each one. There is not one problem of "peace" or "war". There are only the problems of Berlin and the Ruhr, of Trieste and China, of economic reconstruction, and many, many others. As these are solved, new ones will appear, and the political struggle will continue. That is not particularly alarming: the same situation prevails in domestic policy. The Democrats and the Republicans never "solve" their problems once and for all, and it would be a sad day for the country if the political battle ever came to an end. The important point is that Republicans and Democrats do not shoot one and other. That is also the important point in the field of international relations.

In accomplishing this task, we cannot afford to miss any medium of agreement at our disposal. The United Nations offers one such medium. It offers a public arena in which the spotlight of publicity may be turned upon critical disputes in order to alert public opinion to possible danger. That the Soviet Union is not entirely oblivious to the pressure of public opinion has been demonstrated in several instances, especially in the Iranian dispute. The U.N. has done yeoman's service in the field of mediation, especially in the Palestine dispute. But those who demand that the U.N. must be the sole medium of negotiations, do it a great disservice.

It is necessary to remain flexible. We should be ever ready to use any opening that may present itself for advancement toward settlement. Even if suggestions for negotiations are not always extended in good faith, it may be better to keep negotiations going even though no agreement can be reached rather than to let them come to a deadlock.

Sometimes the greatest enemy of negotiations is boredom and impatience. It is necessary to cope with each crisis, each problem, each cause for friction as they occur. Every available tool must be used, the U.N., diplomatic negotiations, and where possible, mediation, arbitration and conciliation. The world is not so secure that it can afford to disregard any means which may be utilized in the interest of peaceful settlement. But let us bear in mind that the world does not stand still, that everything is subject to change, and that there can be no *permanent* settlement of any question.

The danger of the perfectionist is that he may throw away a useful tool which does not fulfill all its promises, and devote himself to an unobtainable ideal. Sooner or later he will find himself without tool and without ideal. No panaceas, no shortcuts, no "fix-its" will suffice, but only intensive study of every issue, untiring effort at finding areas of agreement, and infinite patience and compassion.

Dr. Robert Neumann is a member of the Department of Political Science at the University of California at Los Angeles.

Atom Bomb Control: A British View

"For over three years now we have refused a convention outlawing the use (as distinct from the manufacture) of the atomic bomb, on the lines of the Geneva Convention which outlawed gas. . . . We have refused to make a similar convention on the atomic bomb, presumably in the expectation that, by keeping the Russians nervous and dissatisfied, we have a better chance of getting them to accept the full Baruch Plan. Time and again, in the hope of one day achieving this (but of retaining a certain military advantage if we do not), we have rejected Russian disarmament proposals without even properly discussing them. . . . Russia's objections to the Baruch system of inspection are so deeply rooted that they have led her to prefer the risk of an unequal war to its acceptance; and after holding it for three years we may ask whether our present attitude is going to make her change her mind. It looks as though we can now accept these differences as a fact, and if so it would be better not just to abandon the wreck but to start saving what measure of agreement we can from it."

The Manchester Guardian

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COMMUNISM IN CHINA: TIMETABLE FOR CONQUEST

by THURSTON GRIGGS

The proclamation by Mao Tse-tung, late in September 1949, of a "People's Republic of China," marked one more step in the Communist conquest of Asia. Claiming control of half the land mass of China and of more than half of China's 457 million population, the "People's Republic" will be, after the Soviet Union, the largest Communist state in the world. When their main military campaign began in July 1946, Communist leaders estimated five years for its completion.[1] Collapse of effective Kuomintang resistance gave the Communists a major victory in almost two years less than that estimate.

This conquest did not spring full grown out of thin air. From 1922 to 1927, with Sun Yat-sen's patronage in the beginning, the Communists worked with the Kuomintang, aided by Russian assistants and advisers, trying to engineer a socialist revolution.[2] When that effort failed and a split with Generalissimo Chiang Kai-shek and the Kuomintang ensued in 1927, the Communists went underground.

Less than two years later, under Mao Tse-tung and Chu Teh, the Communists emerged in Kiang-si with their own army; and from then on, through five military campaigns directed against them and despite their 2,000 mile migration to Shensi, the Communists maintained their army and independence. For more than ten years, from 1927 to 1937, they were in flight or under siege but still resisting as a state of civil war prevailed.

In the face of Japanese attack, a truce preserving a front of unity finally came in China, but it was nominal and superficial. The truce was rendered even weaker by the fact that Russia had taken both sides at one time or another in the Chinese civil war; and by the fact that until the last few days of World War II, Russia failed to oppose Japan.

[1] Communist broadcast in Chinese over North Shensi radio, November 14, 1948.

[2] Sun Yat-sen's usefulness to Russian strategy has been dealt with by David J. Dallin, *The Rise of Russia in Asia,* (New Haven, 1948), Chapters VIII-IX. See also Sun Yat-sen, *China and Japan; Natural Friends—Unnatural Enemies* edited by Wang Ch'ing-wei (Shanghai, 1941) *passim.*

The Chinese Communists never abandoned their desire to participate in the Nationalist Government while keeping their Red Army for bargaining power and to protect themselves against annihilation by Chiang's troops. Nationalist military campaigns sought to destroy the Communists because they fought for reinstatement in the government, challenging that body as rebels. At the end of the war in August 1945 the Communists continued their efforts to participate in a postwar government. They went as far as to state that:

> "The Communist Party's program for China at present is one of democratic capitalist development, based upon state, private and cooperative enterprises . . . comparable to the political and economic concepts in the United States at the time of Jefferson and Lincoln (sic) . . . Considering that true communism is not suited to China in the present stage of political and economic development, the Chinese Communist Party would oppose any party that attempted to introduce communism of the classical or Russian pattern in China . . ."[3]

At this date American influence was still strong in China. Agreements reached in the Sino-Soviet Treaty, signed August 14, 1945, precluded any Russian aid or recognition for the Chinese Communists and pledged Soviet support for the Nationalist Government, specifically with reference to Manchuria. On the surface, therefore, the Chinese Communists had been frozen out and seemed to be in a position of having to come to terms with the Kuomintang. During the autumn of 1945, nevertheless, Nationalist forces and Chinese Communist forces, in their race to accept Japanese surrender and to take over Chinese territory, resumed active civil war. Since that action threatened the Yalta agreement, President Truman on December 15 instructed General George C. Marshall to undertake a mission to China in order to effect a reconciliation between the Nationalists and Communists.

Unity of Chinese factions was apparently seen early in 1944 as a necessity in order to defeat Japan. Ambassador Hurley, who preceded Marshall, had failed to bring the Nationalists and Communists together, but he had drawn a statement from the Soviet Union, disowning the Chinese Communists and expressing approval of American mediation efforts. In retrospect, it appears that such a course was

[3] Statement made by Liu Shao-ch'i, chief theorist of the Chinese Communist Party, *New York Times*, December 5, 1945.

the cheapest and most practical way for the Chinese Communists to acquire representation in the government and to increase their foothold. If that objective could be gained with American help, so much the better. An official cold shoulder from the Soviet Union—a mere political expedient—would be a small fee to pay for legitimization of Communism in China's government. This was a project the success of which would further Communism in China, and the failure of which might involve America so deeply in intervention that the Communists could later attack the United States with nationalist sentiment. In any case, strategically, the Chinese Communists could not lose.

General Marshall's prestige and American influence carried through a truce in China on January 10, 1946. The Committee of Three (the two antagonists and a mediator) was set up with headquarters at Peiping. A Political Consultative Conference was convened at once. But as Russia withdrew from Manchuria, there ensued a race between Nationalists and Communists for its repossession. American mediation barely managed to survive. On June 7, 1946, cease-fire orders once again were issued to stop the renewed civil war, but in July warfare was openly resumed and rapidly accelerated in spite of mediation efforts.

The Marshall Mission, moribund, was recalled on January 6, 1947. Meanwhile, through a National Assembly called by Nationalists, which the Communists refused to attend, a National Constitution was promulgated. By that time the breach was complete and the Communists had actively begun their conquest. They claimed Kuomintang moves had been unilateral, and that no peace was possible as long as that situation remained. Through 1946, therefore, the avowed Communist aim still was federation or coalition on "equal rights" terms, but Communists simultaneously stood determined to reject any moves that did not bolster their strength. The Kuomintang, of course, matched that attitude just as stubbornly. Not until late 1947 did the Communists acknowledge that their aim was no longer coalition but *replacement of the Kuomintang* as the Government of China. Their military campaign was firmly under way.[4]

Enunciation of the Truman Doctrine in March 1947, sharply intensified the split in China. Antagonism between the Soviet Union

[4] For the documentary account of America's role, see *United States Relations With China*, released by the Department of State (Washington, 1949).

and the United States was reflected in China in the Nationalist Government as against the Chinese Communists, who, although officially disowned by the USSR, professed to be its disciples. The Communists rode the upswing of postwar days. The Kuomintang, corrupted by privilege and prestige, was saddled with impossible reconstruction tasks. These facts aggravated the conflict and helped determine its eventual outcome.

Against that background the Communists achieved quick success in their campaign for conquest. By the summer of 1948, they claimed 25 percent of China proper and 37 percent of its population. Kuomintang losses were reputed to be more than 1½ million men, and Communists claimed that defections from Nationalist ranks and conversions among prisoners more than made up their own losses for the same period.[5]

Even more significant, psychologically, by August the Communists had won over the exiled anti-Chiang groups in British Hongkong—the Kuomintang Revolutionary Committee, China Democratic League, the *Chih Kung* Party and others. Those groups containing non-Communist elements, came over with dedication to the campaign against Chiang and with willingness to enter coalition with the Communists under their leadership. That was not merely an alliance of convenience; it was a conquest in itself. Henceforth, having won over the only organized factions, the Communists had no domestic opposition except the Kuomintang federation.

In September Tsinan fell under military conquest, and only a month after that, Changchun in Manchuria.

Early in November 1948, when it had become clear that pro-Nationalist congressmen in the United States could not carry out their plans to aid the Chiang Government, Kuomintang morale slumped. Resistance had collapsed in Manchuria; Mukden fell; and within days control of North China was within the grasp of Communist forces. Captured war material ran into staggering figures; observers acknowledged there had been an easy capitulation by Kuomintang troops with vastly superior equipment, mechanization and air power. Communists boasted that Kuomintang troops were their transport corps for American supplies, a claim which Major General David Barr of the United States Military Advisory Group verified

[5] By February 1949, troop strength of Communists equalled or surpassed that of the Nationalists according to *United States Relations With China*, p. 322.

in his reports and in testimony before a Congressional Committee in mid-April 1949. In Manchuria, Communists captured at least 80 percent of the American military equipment in Nationalist hands.[6]

In January 1949, Hsuchow fell; then Tientsin; and finally Peiping surrendered. By spring all of North China except Tsingtao (where there was an American operated naval training base) and the regions west of Sian, was under Communist control. In mid-March the Nationalist cruiser *Chungking* (formerly HMS *Aurora*) deserted to the Communists (to be sunk three days later at dock in Hulutao by a Nationalist air attack). In April Nanking fell, the Hsuchow defenses had failed; and Mao set up a new campaign to conquer South China. He held out promises of leniency to selected cooperators and petty officials, declaring, in effect, a conquest solely against those who resisted. Simultaneously, Mao eased up on land reform. He warned foreigners against partisanship with the Kuomintang or "espionage," and warned the populace not to listen to rumors.

By May the Communist drive had swept into Fukien and was pushing against the approaches to Changsha. It was a bare 300 miles from Canton, the new Kuomintang capital. After a lay-off for consolidation of gains, the drive was resumed late in July. Up to that point, the Communists claimed, more than five million Kuomintang troops lost by capture, defection, or killing. Communists seemed poised to complete their conquest of South China by fall. A parallel campaign into Moslem Kansu was equally successful.

In this military conquest the Communists relied primarily on themselves and on the Kuomintang's errors. Although other developments have made them feel dependent upon the only ally they believe they really have, the Soviet Union, yet the Soviet Union has apparently helped them very little—with a few advisers, and only strategically. Russia's diplomats have gone with the Kuomintang Government in its retreat, rather than align themselves openly with the Chinese Communists. In 1948, when the Chinese Communists sided with the Cominform against the Yugoslav Communist Party under Tito, they were regarded by Russia with little but praise. In February 1949 Russian negotiators began talks for trade, air rights and resources in Nationalist Sinkiang, and in June they pushed hard

[6] *Ibid.*, p. 357.

for an agreement there, coordinating that effort with Chinese Communist advances.

The Communist conquest has not been directed exclusively against the Kuomintang. Simultaneously with the widening rift between the Soviet Union and the United States on the world-wide front, the Communists increasingly condemned "American imperialists'" aid to the Chiang Government. Failure of the Marshall Mission, presence of the Military Advisory Groups, and occupation of the Tsing-tao Naval Base, all were focal points in this vigorous campaign of anti-Americanism. So was the Sino-U.S. Treaty of Friendship, Commerce and Navigation signed in the fall of 1946. On November 21, 1948, the Central Committee of the Chinese Communist Party stated: ". . . any military or economic aid to the Kuomintang Government by the governments of the United States or other countries constitutes an act of hostility against the Chinese nation and the people of China. . . . If the American Government should dispatch armed forces . . . all the consequences thereof would have to be borne by the American Government."[7]

In addition to this warning, there were frequent charges of espionage under American direction and of American intervention in Chinese affairs. Communists said aid from America had cost each taxpayer $137.50 apiece, presumably beginning with Pearl Harbor. Particularly objectionable was the fact that American arms were being used by the Kuomintang in the civil war.[8] That was regarded as forth-right American participation: "American planes bombed . . ." Yet the Communists themselves quickly turned those very arms to their own advantage. As they did so, they pointed out how helpless America was. Mme. Chiang's trip to America to request help in December 1948, although unsuccessful was used as evidence of collusive international conspiracy. The fact that members of her family and other prominent Kuomintang leaders held millions of dollars on deposit or in securities in America aided in conveying that impression. American military advisers, of course remained in China in disregard of Communist protestations, and the naval base was retained until the last possible moment. That was part of the

[7] *New China News Agency,* from North Shensi, November 21, 1948. The declaration went on to say, however, that if the United States did not "encroach upon China's territory and sovereignty," the Chinese Communist Party would welcome establishment of relations with the United States "on a basis of equality."

[8] For a listing of American aid, see *United States Relations With China,* pp. 405-6.

United States policy of maintaining friendly relations with the recognized Government of China, and complying with some of its requests.

At times it has been clear that United States support cannot be manipulated easily in China, and at such times, in the interest of establishing a monopoly of power, the Communists have cracked down. One example occurred last February when newsmen Moosa and Keon of American press agencies were vilified and silenced in Peiping. That was only a trial run, however, for although both correspondents were indicted as representatives of the American press, neither was an American citizen. Freedom of the press nevertheless was dealt a death blow in Peiping by that move. A more extreme case occurred last July in the case of an American Vice-Consul who was humiliated and beaten by police in Shanghai because of a traffic violation.

The Communist goal, throughout, has been to achieve control and power—straight conquest. When control has not been achievable through some cheaper expedient, force has been used. But as the Communists consolidated their position and gained power, they have continually employed their new advantages cumulatively for further and cheaper conquest. Beginning early in 1948, this technique was applied to the conquest of cities of China. Mao decreed that captured cities were to be preserved and protected rather than destroyed, and they became a political as well as military objective. This appealed to the inhabitants of the cities, softening them for an easy capitulation without struggle. It made eminently good sense to preserve rather than to destroy, and the Communists were in position to do either as they saw fit. As a further concession the troops camped out rather than occupy public buildings or billet themselves at the populace's expense. In so far as was possible, according to Mao's decrees, the Communists would attempt to take things over just as they were, retaining the *status quo*—at least for the time being, until resistance had disappeared and the critical and strategic points were occupied. Revolutionary benefits were to ensue.

That technique worked well not only with the cities—it won over thousands of troops. Promises of freedom or position to Kuomintang officers, and of "liberation" for men, cut a swath in Nationalist forces. Private capital, similarly, was to be protected and utilized. Li Li-san —orthodox Moscow-trained Communist—declared that production came first; China needed to make full use of the private capital sys-

tem; workers could not revolt at present.[9] The Tientsin stock market was reopened, and small factories were given subsidies by the Communist Government without reorganization. Too leftish tendencies of laborites and extremists brought remonstrance. In all this, propaganda value was high; but the underlying aim has been to gain control. Achieving control had two aspects: reward the compliant and remonstrate with the recalcitrant. The cooperative citizenry was exhorted to give up its hoarded assets as demonstration of its good faith; then forgiveness followed. Bad faith was not tolerated. Thus the path to salvation and tyranny was prescribed.

While the common people have been appealed to, mollified and cajoled, certain arch-villians have been designated for excoriation. Through 1947 and 1948 Chiang himself was the number one target. On December 25, 1948, the Communists published a list headed by Chiang of more than 40 "war criminals,"—men they held to be responsible for initiating, necessitating and continuing the civil war. The list included the Soong family (except leftist Mme. Sun Yat-sen), top Nationalist military leaders, Kuomintang leaders, and others whom the Communists feared or disliked. It was implied that the designated "war criminals" must accept punishment or relinquish their power before peace could be made.

Four weeks later, January 21, 1949, Chiang bowed out as President, retiring to Fenghua. But he remained nominal head of the Kuomintang and Commander-in-chief. Chiang said he took full responsibility for waging war against the Communists, but that he had not intended to fight them in 1945; *that* had been forced upon him. If the Communists now were sincere in wishing peace, were ready to put the country's interests above their own, he said, then he was willing to retire as a step toward a negotiated peace. But if the Communists still "insisted on continuing their armed rebellion," the Government would "fight them to the finish." It was clear that Chiang regarded his "retirement" as a mission—a gesture designed to preserve the Government he felt best served the interests of the nations. Yet simultaneously it was a capitulation; it acknowledged necessity to bargain with a superior force.

The Communists interpreted Chiang's retirement as an indication of weakness and, therefore, as an added proof of their own success.

[9] *New China News Agency*, from Peiping, May 14, 1949.

They charged that Chiang was not sincere and had no intention of really retiring. Communist leaders nevertheless were eager to make capital of this peace gesture; a negotiated peace would be much cheaper than a military conquest and might be just as effective. Furthermore, having been called to demonstrate their sincerity, the Communists realized that they would gain more by making some gestures than by appearing totally adamant.

There followed three months of peace negotiation and political maneuvering. Both sides sought to strengthen their positions, both made superficial concessions, and each charged the other with insincerity. However, these negotiations differed from previous ones in that the Nationalists abandoned claim to exclusive management of the Nationalist Government and were willing to allow the Communists participation in it as equals. There was no other choice. Knowing that, Communists pushed their advantage.

The peace negotiations began with Mao Tse-tung's eight-point peace terms enunciated January 14th. These were: (1) punish "war criminals"; (2) discard the Constitution; (3) abolish the legitimacy of the Kuomintang in traditional institutions; (4) remold "reactionary" armies; (5) confiscate bureaucratically managed capital; (6) institute agrarian reform; (7) abrogate "treaties of national betrayal"; (8) convoke a political consultative conference without "reactionaries" in order to set up a coalition government to take over all power from the Nationalist Kuomintang Government.[10] The fact that these terms in Communist thinking constituted an ultimatum—one which had to be met as a prerequisite to detailed peace negotiations—was deliberately overlooked by Kuomintang leaders and, with hopes that only staved off despair, they made efforts to respond. Mao made it clear that he suspected the peace negotiations would prove to be only delaying tactics; and he made it equally clear that to him, all responsibility for the civil war and its attendant distress lay with the Kuomintang.

Ten days passed. Each party charged the other with delaying the parley. The Communists blamed the Kuomintang, then asserted peace talks would have to wait for the complete take-over and occupation of Peiping, since that was to be a "pattern." Negotiations finally started there in February. Communists first wanted the "war

[10] Summarized in *United States Relations with China*, p. 293.

criminals" arrested immediately. Delegates scurried back and forth in secrecy and silence, without result. Meanwhile the Communist radio belabored the Kuomintang with one barbed harangue after another. First it attacked ill and aging Yasuji Okamura, wartime Japanese commander in China; Communists demanded not just resumption of his trial but his *conviction* as a condition for peace settlement. Next, the Communists charged that Chiang, still at large, was active behind the scenes in the peace negotiations, and that Li therefore was not sincere. In mid-February Li himself offered to confer with Mao Tse-tung. That offer was turned down on the basis of objections to Chiang and Sun Fo, then Premier. The Communist radio engaged in long, personal but indecisive palaver on specific points. This proved to be only a stalling operation. As pressure, however, it worked, for toward the end of March Kuomintang organs began impeachment proceedings against former Premier T. V. Soong over an accounting for a huge sum in dollars of government funds. Ex-premier Sun Fo also was ordered to account for $73,000 lost through the juggling of finances between his private interests and the government. Sun then issued a statement recanting some of his errors. That was duly acknowledged by the Communists, who cited him as almost a model penitent convert.

One Communist excuse for delay was that the "war criminal" list was being revised, a sensitive point with Nationalist leaders. Other Communist statements, however, made it clear that full repentance and atonement would be demanded and readily arranged—through prescribed channels. To the Communists there was no real equality involved; they were to punish the Nationalists, partly by taking their place.

The March Plenary Session of the Communist Party at Shihchiachuang enunciated plans to conquer the cities that it had formerly been considered too risky to attack. A statement of April 5th clearly lined up the Chinese Communists with the Soviet Union, and avowed an intention to cross the Yangtze River in invasion despite the "Nationalists' peace stall." Observing that trend, and noting Communist armies poised north of the Yangtze, President Li Tsung-jen offered to be boiled in oil if it would help and ordered Nationalist troops to cease firing. That temporarily revived peace efforts. But simultaneously the Communists announced plans to take motion pictures of

their campaign south of the Yangtze! The Communists *then* set April 20 as deadline for successful peace agreement. During the intervening days some military action by both sides continued. Then finally, as the deadline passed, the Communist leaders crossed the Yangtze and announced that the peace terms had been rejected.

A glance at the agreement the Communists drew up will show why it was unacceptable to the Nationalist delegates, even after they had written in several provisions themselves. It was still not a peace agreement, but implementation for an ultimatum of conquest. It included the following provisions:

Repentance or punishment as a policy principle.
Abolition of the Constitution; establishment of a coalition government.
Regrouping of armies; reorganization of political and economic institutions on local and provincial levels from top to bottom.
Kuomintang authorities to assist in enforcement of change-over to the new regime.
"Bureaucratic capital" to be confiscated by the State.
Protection of small private capital investments and of petty potentates, but only in accordance with the system of rewards and punishments (for degree of compliance with the new coalition).
Land redistribution reforms, to be accomplished later.
Diplomatic change-over (foreign relations) subject to further and more technical discussion by specialists. (Severance of U.S. ties is implied here)

The Kuomintang was promised some ineffectual representation in the political conference called to set up the coalition.

Clearly, the Communists viewed the discussions as an attempt to establish conditions for a surrender, and not for effecting a true coalition. If it had succeeded it would have been a most triumphant strategem—a cheap conquest. Possibly because they knew it was too much to expect, Communist leaders went ahead with their plans for further military conquest.

The case of Nationalist General Fu Tso-yi perhaps epitomizes the whole technique of easy conquest. In December, when he still was holding out against the Communists at Peiping, the "war criminal" broadcast denounced him as "a public enemy" who had "butchered the people like cattle"; "a first-class war criminal like Chiang." Then when Peiping was under siege, Fu negotiated and his armies were

regrouped under the Communists. Advertising this as a pattern for peace, the Communists then said about Fu that however bad his actions were in the past, he "voted right this time . . ." (Here voting means submission). "The People's Liberation Army will be justified in explaining to the people a pardon for his war crimes and in giving him a new way out."[11] His contrite "confession" and endorsement of the Communist cause followed.

The Communist conquest clearly affords no quarter. It has rolled forward with an assurance born of its very success. A Political Consultative Conference was set up by the Communist Party late in June, and out of it has emerged the new Chinese régime. The 510 delegates represent 45 different groups. These organizations are almost all left wing, many of them new, and none of them capable of independence from the Cominform line. The chief committee members are the standard bearers of revolt against the Kuomintang, all now cleaving to the Communist Party line. Some capable and independent men have adhered to the program; but they are not found in positions of responsibility.

Prospects for the new Communist régime, despite its initial success in conquest, are not favorable. The Kuomintang blockade of the China coast, operating from Formosa, has aggravated internal economic problems. Rebellions have arisen. Peasants, who once were catered to as the backbone of the Chinese Communist movement, have rebelled in Shensi, Honan, Kiangsu and in Manchuria. There have also been acts of sabotage.[12] Other developments indicate the extremes Communists resort to in retaining control. The Nationalist peace delegates were kept in Peiping instead of being allowed to return, and two of them, Chang Chih-chung and Shao Li-tze, allegedly confessed their political errors and came out in support of the Communist régime. Simultaneously, Nationalist General Wu Chi-wei, similarly detained, signed a declaration that sounded more like a Communist manifesto than a sincere personal statement.[13]

Having jumped from a peasant movement to a powerful national régime that must dicker with financial leaders in order to maintain its power, the Communists now face many of the critical tests which

[11] *New China News Agency*, February 2, 1949.
[12] AP dispatch from Nanking, July 23, 1949. Sabotage was admitted by the Peiping Communist radio broadcast in Chinese, June 27, 1949.
[13] *New China News Agency* dispatches June 27 and July 27 and July 8, 1949. Also a Chinese language broadcast from the Peiping Communist radio, June 21, 1949.

previously confronted the Nationalist régime. It remains to be seen whether sheer determination and a new broom will suffice, or whether extreme measures of conquest will abort the revolution and leave China in its postwar morass. The situation calls for experts and specialists, not political fanatics bent upon power. Chinese history has moved in circles—from rebellion against authority to replacement of authority; from a fight against oppression to a mastery of the techniques of oppression. And the Chinese Communists have done little but add another conquest to this history already overburdened with tyranny and revolt.

Mr. Griggs is the author of "Americans in China" and is at present doing research at Harvard University.

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